Austria ... Sch 18	Indonesia .. Rp 2500	Portugal ... Esc 75
Bahrain .. Din 0.650	Italy ...... L 1100	S. Arabia .. Rls 6.00
Belgium ... BFr 38	Japan Y550	Singapore . S$ 4.10
Canada ... C$2.00	Jordan ... Fils 500	Spain .... Pta 100
Cyprus .. Mils 600	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark .. Dkr 7.25	Lebanon ... LL 6.00	Sweden .. Skr 6.50
Egypt .... E£1.00	Luxembourg . LFr 38	Switzerland Fr 2.00
Finland .. Fmk 5.50	Malaysia .. Rm 4.75	Taiwan ... NT $85
France .. FFr. 6.00	Mexico .. Pes 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 160
Greece .... Dr 80	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$12	Norway .. Nkr 6.00	U.S.A. $1.50
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,241 — Wednesday February 8 1984 — D 8523 B

The Achilles Heel in Reagan's strategy, Page 17

NEWS SUMMARY

GENERAL

France in line for big U.S. arms deal

France is in line for arms orders from the U.S. worth billions of dollars, according to Western diplomats in Paris

A shift in U.S. policy is expected, so that orders will be placed with European allies for equipment more sophisticated than that available in America, or where research and development costs are thought prohibitive in the U.S.

France, like other European countries, has been critical of low U.S. use of the "two-way street" arrangement for arms purchases, and was angered when the U.S. cancelled orders for the Franco-German Roland ground-to-air missile. Page 18

Belgium to cut units

Belgium has decided to scrap two of its six nuclear anti-aircraft missile units in West Germany in July, despite pleas from its Nato allies, as an economy measure.

Farmers in protest

French police used tear gas at the Channel port of Cherbourg to disperse about 400 farmers protesting against the arrival of 23 lorryloads of meat from Britain. One farmer was seriously injured. French farmers were still detaining four lorryloads of meat from Ireland at Le Havre.

Astronaut 'flies free'

U.S. astronaut Bruce McCandless "flew free" 50 yards behind space shuttle Challenger, completely unattached the first time it had been done. Page 5

After the loss of a second satellite, the Indonesian Palapa B-2, Lloyd's of London is to raise insurance premiums for such space risks. Page 18

Iran exiles killed

General Gholam Ali Oveissi, an opponent of Iran's Khomeni regime, who was martial law administrator of Tehran under the Shah, and his brother, who was not named by police, were shot dead in Paris.

UN drug decision

United Nations Commission on Narcotic Drugs voted in Vienna for international controls on 33 substances known as benzodiazepines and used in sedatives and tranquillisers.

Dutch official jailed

A Dutch bank official who misused $60m of Slavenburg's Bank money, was jailed for 18 months in Rotterdam. He had speculated on the London financial futures market.

Panama ship sinks

Panama coaster Midnight Sun I sank off Brittany. Eight crew drowned, and the French navy rescued 11.

ANC man expelled

A South African official said that following security talks between Pretoria and Maputo, African National Congress military leader Joe Slovo, a white, Lithuanian-born Communist, has been expelled from Mozambique.

Soviet smokers

More than 70m, about a third of the Soviet population, are regular smokers and 30 per cent of the population are overweight, heart specialist Yevgeny Chazov wrote in the monthly Political Self-Education.

Two must die

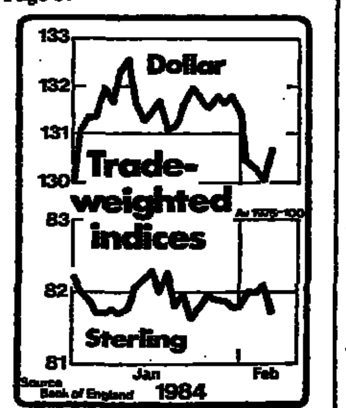
Malawi's Appeal Court upheld the death sentence on opposition leaders Orton and Vera Chirwa for plotting to overthrow the Government.

BUSINESS

GM lifts full-year profit to $3.73bn

GENERAL MOTORS, the world's biggest vehicle maker, lifted its net earnings in 1983 from $963m to $3.73bn, on sales 24.3 per cent up at $74.6bn. Page 18

DOLLAR improved sharply. It rose to DM 2.768 (from DM 2.7405), FFr 8.4875 (FFr 8.4075), SwFr 2.2375 (SwFr 2.21) and Y234.45 (Y233.05). Its Bank of England trade-weighted index went up from 130 to 130.7. Page 37



STERLING dropped 1.60 to $1.4095, and to DM 3.905 (DM 3.91), FFr 11.96 (FFr 11.985) and Y330.75 (Y332.5) but it edged up to SwFr 3.155 (SwFr 3.1525). Its trade weighting was down from 82.1 to 81.7. Page 37

GOLD fell $0.25 in London to $381.25, by $1 in Frankfurt to $397.75, and by $1.25 in Zurich to $380. In New York the Comex February settlement price was $381.1 ($381.8). Page 36

WALL STREET: Dow Jones index closed 6.18 up at 1,180.49. Report, Page 27. Full share prices, Pages 28–30

LONDON: FT Industrial Ordinary index dropped 15.8 to 799.7. Government securities showed modest falls. Report Page 31. FT Share Information Service, Pages 32, 33

TOKYO: Nikkei Dow index fell 60.16 to 10,060.92, and the Stock Exchange index was 3.75 down at 769.4. Report, Page 27. Leading prices, other exchanges, Page 30

TURKEY'S central bank is resisting commercial bank efforts to introduce a system of recording purchases of foreign exchange. Page 3

PORTUGAL is to introduce selective short-term import restrictions to protect domestic industries. Page 7

ARGENTINA'S consumer price index rose 12.5 per cent in January, 2.5 percentage points above the target set by the Government in its programme to curb an annual inflation rate of 433 per cent. Page 5

POLAND devalued the zloty against Eastern bloc currencies. It now stands at 60 to the Soviet rouble instead of 43.2, a 38.9 per cent devaluation.

BRITAIN'S Central Electricity Generating Board and Electricité de France agreed to pool design and development efforts for a fast-breeder nuclear reactor. Page 6

NEW ZEALAND Stock Exchange was ordered by the High Court to lift its suspension on dealings in New Zealand Forest Products, imposed during a takeover battle for Wattie Industries.

GREEK talks on a 1984 private sector pay deal broke down when employers refused union demands for index-linking of earnings. Page 2

VENEZUELA'S President Jaime Lusinchi dismissed central bank chief Leopoldo Diaz Bruzual, and appointed in his place Benito Losado, as a move towards resuming negotiations on rescheduling foreign debts of about $34bn. Page 5

CBS, the U.S. broadcasting and music group, reported after-tax operating earnings 226 per cent up at $187.2m. Page 19

Gemayel faces defeat as West Beirut falls

BY PATRICK COCKBURN IN BEIRUT

THE FUTURE of President Amin Gemayel's regime in Lebanon was in grave doubt yesterday as Moslem militiamen consolidated their grip over West Beirut and many units of the Lebanese armed forces joined them or stayed neutral.

If the remnant of the army still loyal to Mr Gemayel's Christian-dominated administration cannot counter-attack and retake the western part of the capital, the era that began with the Israeli invasion of Lebanon in June 1982 will end, diplomats said in Beirut.

The attempt to create a stable Christian-dominated state, backed by Israel and the U.S., will have foundered in the face of almost universal armed opposition by the country's Moslem majority, backed by Syria.

It now controls two thirds of Beirut and 80 per cent of the country north of the Israeli-held south of Lebanon.

The army could still seek to respond, but it may have left it too late to carry out an effective counter-attack. That option will soon cease to exist as the heavily armed militias strengthen their grip.

In mid-afternoon yesterday the state radio station switched hands and broadcast a statement by Mr Nabih Berri, leader of the Shia paramilitary organisation, Amal. He guaranteed the safety of foreigners and foreign embassies and ordered his men to support, rather than replace the Lebanese army and security forces.

Mr Berri claimed that his men had won a sweeping victory and it is evident that Amal was in control of both South and West Beirut, making Mr Berri a key figure in Lebanon's future.

Syria was also being seen as a clear victor possibly estabishing itself as the predominant foreign influence in Lebanon.

The defection of the army in West Beirut over the past two days provoked a savage bombardment of civilian areas by Lebanese army artillery based in Christian East Beirut.

Twelve hours of heavy shelling ended at about 6.30 am yesterday. Many buildings were set on fire and ambulances were unable to pick up many of the dead and wounded. Nevertheless, one hospital alone reported receiving 50 dead and 300 injured.

The shelling was at its most intense in an area containing many embassies close to Hamra Street, once the most fashionable in Beirut. The West German Embassy was damaged by shell bursts, houses nearby were blazing, and the force of the explosions had blown cars over walls.

Mr Berri has always been more conciliatory than other opposition leaders, notably Mr Walid Jumblatt, the Druze leader, who yesterday demanded the departure of Mr Gemayel before any negotiations could take place. The victorious Moslem forces are clearly anxious to avoid Israeli or U.S. intervention.

This appears unlikely, although the U.S. battleship New Jersey did open fire yesterday to protect the 1,300 U.S. marines stationed at Beirut International Airport as part of the multinational peacekeeping force.

Diplomats said that a consequence of the apparent defeat of Mr Gemayel and the defections from the army, which he and his U.S. ally hoped to build up, will significantly weaken U.S. influence. They say that will occur whether or not the U.S. marine contingent stays in Lebanon.

In Washington, the U.S. State Department confirmed yesterday that it had completed a partial evacuation of non-essential personnel in its Beirut Embassy.

David Lennon writes from Tel Aviv: Mr Yitzhak Shamir, the Israeli Prime Minister, yesterday told U.S. Ambassador Mr Samuel Lewis that Israel had no intention of intervening in the fighting in Beirut.

A similar message was delivered on Monday to Mr Danny Chamoun, a Lebanese Christian leader, when he called on Mr Shamir in Jerusalem to seek help for Mr Gemayel.

General Moshe Levy, Israel's Chief of Staff, told a Knesset committee yesterday that Mr Gemayel's government had lost its military and political power

He added that many Palestinian guerrillas were participating in the fighting, but said it was not known if the Syrians were also involved.

Military officials here believe that the deterioration in Beirut will make it more difficult for Israel to withdraw its forces from southern Lebanon in the near future. A prolonged Israeli presence in the south now appears inevitable.

Although it appears that Beirut will be divided again, as it was before the Israeli invasion in 1982, Israeli officials draw comfort from their belief that there is little likelihood that the Palestine Liberation Organisation would re-establish an independent presence in the Lebanese capital.

Confusion and fear in Beirut, Page 4; Why Syria will not back down, Page 16

Big change in peacekeeping role expected

BY OUR POLITICAL AND FOREIGN STAFF

A SIGNIFICANT change in the role of the four-nation peacekeeping force in the Lebanon appeared imminent last night after a day of high-level contacts and growing pressures for troop withdrawals at least to the safety of naval support ships at sea.

The rapid deterioration of the situation in Beirut, with the renewal of the civil war and partial disbandment of the Lebanese army, has led to an urgent reappraisal in Washington and other capitals.

Sig Giulio Andreotti, Italy's Foreign Minister, sent messages to London, Paris and Washington, calling for an urgent meeting of foreign ministers to "re-examine the situation in Lebanon."

In London, Mrs Margaret Thatcher, the Prime Minister, held three separate, short meetings to monitor events with Sir Geoffrey Howe, Foreign Secretary, and Mr Michael Heseltine, Defence Secretary, as pressure grew steadily for an early withdrawal of the 115-strong British contingent, before any serious casualties or deaths were incurred.

Britain was in "urgent and constant touch" with its partners in the multinational force, Mrs Thatcher told the House of Commons, and added that "the safety of our forces is a major factor." The Government is not expected to make a statement before any redeployment of troops takes place, but contingency plans are believed to include the removal of troops to Cyprus.

President François Mitterrand of France, who was in The Hague yesterday on an official visit to the Netherlands, also declined to comment on the future of the 1,500-strong French peacekeeping force. The French aim remained to bring back the French contingent "as quickly as possible," but M Mitterrand insisted that security in Lebanon had to be restored first and that that was likely to take time.

M Mitterrand repeated the French wish to see the present MFN force replaced by forces under UN auspices.

The intense diplomatic contacts between leaders and foreign ministers of the four countries with troops in the Lebanon reflected the reluctance of all countries to remove their forces unilaterally, despite growing domestic pressures.

Continued on Page 18

Bourses hit by heavy selling

BY RAY MAUGHAN IN LONDON AND TERRY DODSWORTH IN NEW YORK

STOCK markets throughout the world were shaken yesterday by the continued uncertainty on Wall Street. Every major financial centre, with the exception of Madrid, recorded severe losses and in London, the FT Industrial Ordinary index fell below 800 for the first time since January 9.

For continental European markets, the decline was principally an extension of the heavy selling which had suddenly struck at confidence on Monday. In the Pacific Basin, shielded earlier by time zone differences from the full impact of New York's slide, markets were forced to reverse with a vengeance earlier blithe advances.

Wall Street began its Tuesday trading session last night with an attempted rally but quickly fell back as a broad based wave of selling drove the Dow Jones industrial average back down more than eight after the first hour and a half.

However, by the close, the measure had recovered to stand 6.18 higher at 1,180.49.

The bond market gave no support to equities, with the 12 per cent long bond falling by a little over ¼ point in early trading to 101[illegible], to yield 11.81 per cent, a rise of 4 basis points. In the first day of the Treasury's heavy $16.25bn funding programme, however, short rates held virtually unchanged, with three month bills at 9.08 per cent.

While the firming of interest rates over the last few days appears to have helped the dollar, which rose in New York from DM 2.7490 to DM 2.7630 in early trading, equity dealers believe that foreigners are still continuing to reduce their exposure on Wall Street.

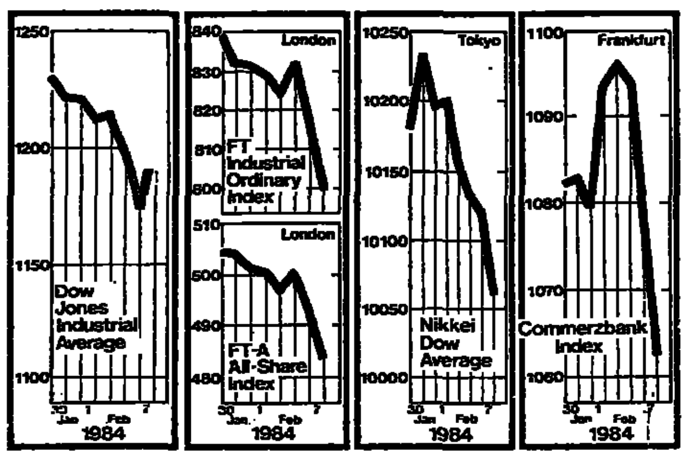
In London the index of 30 leading British industrial shares shed 15.8 to 799.7. The decline had been worse early in the afternoon, when the fall extended to 17.3 but, even some marginal recovery at the close, the aggregate slump of 32.7 is the worst 48-hour decline ever recorded.

Datastream, the computerised investment information service, calculated that some £2.5bn ($3.52bn) was wiped off London share values. Coupled with the losses on Monday, the two-day loss of £5.5bn compares with the worst ever previous slide of £5.43bn scored in September.

The experience in other European markets was little different. Zurich closed sharply lower with falls extending across all sections of the market while the Amsterdam All-Share index lost 6 to 162.2, which contrasts with a 1984 peak of 178.9 recorded last Wednesday.

The Brussels All-Share index shed a further 4 points and the Commerzbank index of 60 leading shares took Frankfurt 16.1 lower at 1,062.4.

Hong Kong and Tokyo staggered under the weight of earlier developments in the Western markets.



Stock markets, Section III; Lex, Page 18

Fed chief calls for $50bn budget cut

BY STEWART FLEMING AND PAUL TAYLOR IN WASHINGTON

MR PAUL VOLCKER, the chairman of the Federal Reserve Board, warned yesterday that the U.S. was becoming increasingly vulnerable to a loss of confidence by foreign investors in the dollar. For both domestic and international reasons, the central bank could not try to move dollar interest rates down, he said.

In testimony to the House banking committee, Mr Volcker left no doubt that in his view only vigorous action aimed at reducing the Federal budget deficit, which is running around the $190bn mark, offered the prospect of more flexibility for the Fed.

He told committee members that as a first step to reassure the financial markets, budget cuts of $50bn a year were needed. That figure is signficantly higher than the $100bn over three years the Reagan Administration has suggested.

Even though he was testifying against the background of increasing nervousness on Wall Street about the outlook for interest rates and the U.S. economy, Mr Volcker grimly refrained from offering the markets any comfort.

While suggesting that the U.S. had a chance to seize the opportunity to achieve a period of sustained economic growth, he indicated but stressed that the opportunity was in danger of being lost because of the failure to attack the deficit.

Mr Volcker's remarks coincided with the release of forecasts from the independent congressional budget office warning that budget deficits might climb to $326bn in 1989 partly because of the surging cost of servicing the ballooning national debt.

Asked if the Fed was "helpless" to bring interest rates down, Mr

Continued on Page 18

Deficits worry the Fed, Page 5; Corporate profits worry Reagan, Page 17

Mitterrand urges common EEC defence initiative

BY JOHN WYLES IN THE HAGUE

PRESIDENT François Mitterrand of France yesterday called for a common European defence effort, based on the creation of a "space community," in a key speech made to the Dutch Parliament, in which he set out his hopes and fears for the EEC.

He spoke of the need for Europe to look beyond its immediate nuclear preoccupations if it was not to be left behind in the future, during a state visit to the Netherlands.

"Let Europe be capable of putting a manned station into space, which would enable it to observe, communicate, and therefore frustrate, any eventual threat and it will then have taken a big step towards its own defence," he urged.

He implied that Europe could build on its current capacities in computer electronics and missile technology. Numerous voices were now being raised in favour of a common defence organisation, he said. But Europe was not about to substitute its own alliance for the one with the U.S., the President said.

"In my view, a European space community would be the best answer to the military realities of tomorrow," M Mitterrand said. This passage on defence was the eye-catching novelty in a comprehensive speech dealing with the EEC's current political and financial crises and M Mitterrand's own efforts to settle them as current President of the Community.

Any agreement, he stressed, would involve mutual concessions and sacrifices for all, equally shared.

The French President – who said that the EEC currently looks like "an 'abandoned building site" – plans to see every head of government before the next summit meeting in Brussels in March.

He spoke at a press conference after his speech of a "partial solution" to the UK's demand for a reduction in its payments to the EEC. This would impose a limit on the growth of the EEC's total annual spending in the same way as a limit can currently be applied to non-farm spending. In recent years, however, this limit has been frequently reached.

By capping the budget, M Mitterrand said that both the UK and West Germany would have to pay less to Brussels than if spending remained unconstrained. This is not a proposal likely to impress the British Government, which wants the growth in EEC farm spending kept below the annual increase in the Community's budget revenue.

M Mitterrand said in his speech that the "indispensable" increase in the current 1 per cent VAT limit on the Community's budget revenues must be accompanied by a more rigorous management of spending policies. This would govern the future construction of the Community, and would be based on the unity of the common market. Here, as elsewhere in the speech, he confirmed France's insistence on the need to limit duty-free access of U.S. agricultural exports.

Editorial comment, Page 16

CONTENTS

Joint study on Nato warship

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN LONDON

EIGHT NATO governments are expected to agree formally today to begin joint feasibility studies for a warship for the 1990s.

These studies, are likely to take about two years and cost around £12m. They will be conducted by an international joint venture company to be formed later this month by shipbuilding and defence companies in seven of the eight countries. U.S. law requires that a separate U.S. contractor be appointed but officials have promised the other Nato members close co-operation.

The countries involved are Canada, France, West Germany, Italy, the Netherlands, Britain and Spain. Among the companies involved are British Shipbuilders, Thomson CSF of France and Marinetechnik *Gesellschaft of Hamburg.*

Although collaboration within Nato on military aircraft and weapons systems is now relatively common, co-operation on major shipbuilding projects is rare.

Over the past two years, the eight countries' navies have agreed on a basic requirement for a warship. Earlier studies have outlined a vessel with a displacement of 3,000-3,500 tons, designed primarily for anti-submarine warfare. In British terms it would be less a replacement for the new Type 23 fri*gate, now costed at some £120m,* than for the slightly larger Type 42, which is more usually described as a destroyer.

The first ship is intended provisionally to enter service in 1992, a target many officials believe to be unrealistic.

There is reckoned to be a market for some 100 ships and savings on a joint venture of 20 per cent in construction and 10 per cent in operational costs. Those involved in the earlier studies from industry and government say the degree of co-operation achieved was both *surprising and encouraging.*

However, many believe that all eight countries are unlikely to continue with the project beyond the feasibility stage. Much will depend on the evolution of national programmes in the countries which still have large shipbuilding industries.

French restructuring measures disappoint

BY OUR PARIS CORRESPONDENT

FRENCH EMPLOYERS' organisations and unions have reacted sceptically to the Government's plans for restructuring ailing sectors of industry.

M Pierre Mauroy, the Prime Minister, unveiled his proposals in meetings yesterday and on Monday. They are to be approved formally by the cabinet today.

The lack of enthusiasm largely reflects disappointment that the measures seem relatively meagre after the expectations that the Government initially kindled.

Two main actions are envisaged. Workers made redundant in the steel, shipyard and coal sectors will be eligible for two retraining schemes on 70 per cent pay. The cost will be borne by employers (mainly *state-owned companies), the* state, and, indirectly, the unemployment insurance fund. Some 10,000-15,000 people will probably benefit.

The second measure envisages setting up about 10 so-called "perimeters of rebirth" in depressed areas

Companies will be encouraged to invest and create new jobs in these areas through tax and credit incentives with the emphasis put on attracting *new small and medium sized* companies.

Regulations will be cut to a minimum for companies wishing to set up in the areas. But the Government wants to avoid pushing assistance to the point of creating a wide gulf between the zones and the rest of France. Finance Ministry officials estimate the cost at about FFr 5bn-6bn (£417m-£500m).

For other sectors where rationalisation is taking place, *such as the motor industry and* telephones, the Government is promising help in modernisation.

Disaster claims hit insurance industry

BY JOHN WICKS IN ZURICH

THE INTERNATIONAL insurance *industry* was *"greatly affected"* by major claims last year, according to a survey prepared by Swiss Reinsurance Company.

Damage suffered from natural catastrophes is seen to have reached one of the highest levels ever, provisional estimates indicating that in the United States alone private insurers are faced with losses from natural disasters of a new record volume of nearly $1.9bn.

Hurricane "Alicia", which hit the southern coastal areas in August, is alone claimed to have entailed in*sured damage totalling* $675m. At the end of 1983, the cold wave and snowstorms in many parts of the U.S. caused some 500 deaths and about $510m of insured damage.

In terms of loss of life, the worst catastrophes were those caused by monsoon rains and flooding in India last summer, which led to over 1,600 deaths, and the Turkish earth*quake in October with 1,330 fatali*ties.

Elsewhere, Swiss Reinsurance reports a continued marked rise in aviation losses, with five aircraft crashes each involving over 100 deaths. The shooting down of the *Korean Airlines aircraft in August* is said to have resulted in a hull loss of $35m and a liability loss of $39m.

The loss frequency and extent in the marine sector was "in line with previous years", says the report. The biggest claim was in connection with the tanker Castilio de Bellver, which caught fire and broke apart off South Africa involving a hull loss of $65.3m.

Among other major claims, the theft of gold bullion and diamonds from Heathrow Airport, London, last November resulted in insured losses of $38.4m.

EEC will not delay steel row sanctions

BY ANTHONY McDERMOTT IN GENEVA

THE EEC yesterday rejected a U.S. call for a fortnight's extension of *the period beyond March 1 when* the Community's retaliatory measures come into effect against U.S. tariffs on speciality steel products.

The U.S. made its call for an extension to March 15 before the council of the General Agreement on Tariffs and Trade (Gatt). But *this was rejected by Mr Tran Van* Thinh, the EEC's representative to the Gatt, who strongly urged the U.S. "to lead the fight against protectionism in order to maintain and spread the economic recovery."

Noting that 1984 was an election year in the U.S., he urged Washington not to resort to policies of "short-term political expediency."

In the dispute, the EEC has said that unless an agreement is reached over compensation for U.S. limits on imports of speciality steel by March 1, new tariffs and quotas would be imposed on a range of U.S. chemical products, sporting goods and security devices. The EEC has put a value of $119.4m a *year on the import of these items.* At the same time it puts annual losses over speciality steel export curbs at $130m.

At yesterday's meeting, Mr Warren Lavorel, Assistant U.S. Trade Representative in Geneva, challenged some of the EEC's calculations saying that there was a discrepancy in the EEC's quota retaliation which was denominated in Ecus rather than in terms of quantities. Thus the EEC had used in 1982, the exchange rate of 98 Ecus to $100.

He quoted also "significant discrepancies" between U.S. and EEC import data on products subject to proposed retaliation on both quota and tariff items. In the case of styrene, U.S. data showed exports of $64.4m, while EEC imports were shown as $36.6m.

Mr Tran, while rejecting the extension, indicated that talks would continue until March 1.

Khomeini opponent shot dead in Paris

By Our Paris Staff

GENERAL GHOLAM ALI *OVEISSI, a former military* governor of Tehran under the Shah and a prominent opponents of Ayatollah Khomeini's regime, was shot dead in Paris yesterday.

He and his brother were killed as they left his house in the fashionable 16th District of Paris. Four men, two of them described as "Arab-looking," were said to have been involved in the shooting.

Gen Oveissi was known to supporters of the Ayatollah regime as "the butcher of Tehran" for his part in putting down the demonstrations in the Iranian capital shortly before the fall of the Shah in 1978. Estimates of the number killed vary between a few hundred and some thousand.

A former chief of staff in the army under the Shah, he visited Iraq on a number of occasions after escaping the country and was prominent in the monarchist movement. French officials said yesterday that he had only interday that he had had only intermittent police protection.

His murder is a further worrying sign for the French government of the ruthlessness and effectiveness of pro-Khomeini commando squads in striking at targets in France or at French property and personnel abroad.

French anxiety *has* increased since the delivery of Super-Etendard aircraft to Iraq and the bombardment by French aircraft of the Shi'ite guerrilla base at Baalbeck in Lebanon. The latter was in retaliation for the killing in Beirut of 58 French soldiers in a "suicide raid."

West German balance of payments deficit

West German's balance of payments last year was DM 4.07bn (£1.04bn) in deficit, compared to a DM 3.08bn (£787m) surplus the previous year, writes Rupert Cornwell in Bonn. The principal culprit was a massive outflow on capital account which more than quadrupled ...to ...almost DM 19bn net.

Dispute among UK officials delays EEC's Esprit plan

BY PAUL CHEESERIGHT IN BRUSSELS

A *SPLIT* between Britain's Treasury and Department of Trade and Industry is holding up UK Government approval for the EEC's important "Esprit" programme which is designed to counter Japanese and U.S. dominance in the world market for information technology.

The dispute, which apparently centres on priorities in research and development spending, could leave Britain in an embarrassing position within the Community.

So far, the British Government has played an energetic role in negotiations on the scope of the Ecu 1.4bn (£798m) programme, the European Strategic Programme for Research and Development in Information Technology, despite the fact that a ministerial decision has yet to be made.

Under the five-year programme, which should theoretically start this year, the EEC would fund half the cost of projects in which companies would collaborate across national boundaries. All aspects of the programme have been agreed except the finance, for which both Britain and West Germany have withheld approval.

The official position in Brussels is that Esprit is being held up by the Ten's failure to agree on reorganising EEC finances and setting up new policies at the Athens summit last *December.*

This disguises the fact that Britain has made no decision. UK ministerial committee meetings have repeatedly been put off, diminishing hopes that a decision will be made by the end of this month, when EEC research ministers meet with the intention of giving *Esprit* a green light.

The question of UK public spending arises in this case because Britain is a net contributor to the EEC budget, and a contribution towards Esprit would represent new expenditure at a time of retrenchment. The pressure on British public spending explains what officials see as a marked cooling of London's enthusiasm for the programme.

According to Whitehall officials, the Treasury is opposed to new spending programmes and has been telling the DTI that if it wishes to pursue Esprit it will have to do so within its existing R and D budget. This in turn will force the Department to change priorities for its own programme unless it can persuade the Treasury to provide fresh cash.

For the moment, however, Britain is *shielded* from embarrassment on the issue by a West German proposal to fund *Esprit at the expense of lower* EEC spending on other research and development.

Greek private sector pay bargaining breaks down

BY ANDRIANA IERODIACONOU IN ATHENS

TALKS on a collective Greek private sector pay agreement for 1984 broke down yesterday, after employers refused to meet trade union demands for obligatory index-linked earnings in commerce and industry. The General Confederation of Greek Workers (GSEE) *announced that it would hold* meetings this week to decide on strike action.

The Greek Socialist Government introduced index linking in the public sector, for salaries up to Dr75,000 (£515) a month on coming to power in 1981. This upper salary ceiling was raised to Dr100,000 for 1984. But there is no legislation enforcing index linking in the private sector.

The GSEE initial demand also included a 10 per cent increase in minimum wages to cover a loss in real earnings in 1983. Trade union officials say this demand has now been reduced *to 5 per cent, adding up to a* total pay increase of about 25 per cent for this year, at a current annual inflation rate of about 20 per cent. Employers say they had offered a 19 per cent pay increase in quarterly instalments for this year, but that this had been rejected by trade unions.

Soviet hint on resuming nuclear arms negotiations

By Anthony McDermott in Geneva

THE SOVIET UNION yesterday opened the *door slightly towards* resuming disarmament talks with the U.S., and indicated a constructive approach in negotiations at the 40-nation Conference on Disarmament here.

Mr Victor Issraelyan, the Soviet delegate, was very critical of the U.S. at a plenary session of the Conference. He accused it of "trampling the will of peoples . . . to transform the whole globe into the sphere of its vital interests." He criticised the large increase in proposed military spending, and blamed the deployment of new U.S. nuclear missiles in Europe for the breakdown of bilateral talks on nuclear arms.

On chemical weapons—the most promising item on the Conference's agenda — he accused the U.S. of slander about the use of Soviet-made chemical weapons

The Soviet envoy did make the point, however, that "the desire of both sides to achieve a compromise" would create a favourable situation for advancing the cause of arms limitation and disarmament. This was apparently intended to imply that progress in the Conference could lead in the long run to a restart of bilateral nuclear talks.

The present negotiations cover a wide range of subjects, ranging from nuclear issues to chemical and radiological weapons and the prevention of an arms race in outer space. The U.S. is proposing to submit a draft treaty on chemical weapons around the middle of March.

● Mr Igor Andropov, the son of Soviet President Yuri Andropov and a senior delegate to the European Disarmament Conference in Stockholm, yesterday accused the West of "deliberately planning a nuclear war" in Europe, writes David Brown.

He told the conference that, by deploying new medium-range nuclear missiles in Europe, Nato was trying to achieve a first-strike capability.

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OECD at odds over tackling job losses

By David Marsh in Paris

DIFFERENCES BETWEEN the U.S. and other industrial countries about how to tackle high unemployment have been underlined here at a conference on jobs this week.

The three-day meeting brings together labour ministers, officials, unionists and employers from the 24 member countries of the Organisation for Economic Co-operation and Development. They are examining four inter-related areas with an impact on employment: new technology; foreign competition; labour market policies; and cuts in working hours.

All governments seem to accept that technological change should not be impeded, even though it may endanger some jobs in the short term. Far more passion, however, has been generated by measures to increase flexibility of labour markets.

Although most governments see the need for competition and action to increase investment by easing financial charges on employers, there is a clear rift between the more market-oriented solutions put forward by the U.S. and Britain, the employment policies of other countries which are based more on "consensus" among governments, unions and business.

Mr Ivor Richard, the European Community social affairs and employment commissioner, said that people were out of work in the EEC not because unemployment pay was too high but because "jobs are simply not there." He argued for wage rises in line with productivity improvements, but labelled as a myth the idea that "if wages would fall, everyone would get a job."

Giving an appraisal of the basic divisions, Mr John Dawkins, Australia's Finance Minister, said: "The Americans, British and Germans would probably like an agreement that there should be fewer controls and less government now that the economic recovery is under way—basically, that governments should allow business to get on the job. I do not believe there will be much concord on that."

In a frankly tub-thumping speech on Monday, Mr Roger Porter, a White House official representing the Reagan Administration, extolled U.S. success in creating "a dynamic economy (which) relies on the market to allocate resources," which had helped create 4m jobs over the past year.

Other delegates, pointing to the effects of the soaring U.S. budget deficit and arms build-up, thought the latest fall in U.S. unemployment owed much to government measures to stimulate demand, in spite of the Administration's avowed adherence to a "hands-off" economic ploicy.

Ms Grethe Fenger Moeller, Denmark's Labour Minister, said employment-boosting policies neded to be geared towards increasing investment rather than creating jobs "artificially."

M Pierre Beregovoy, the French Social Affairs Minister, linked rising unemployment to world monetary disorder. Leaving currencies to market forces alone was "dangerous," he said.

Italian unions struggle to agree pay stance

BY JAMES BUXTON IN ROME

THE ITALIAN union movement yesterday went through another day of acute agony as it struggled to reach a unified position to put to its members and to the Government in negotiations on the future of the scala mobile wage indexation system.

The differences now amount to a straight split on political grounds inside the left-wing CGIL union, the biggest of the three, rather than between it and the Socialist-oriented UIL and the Christian Democrat-leaning CISL. The CGIL is split between its pro-Communist majority and its pro Socialist minority.

The unions have been talking to the Government for more than a month on cutting Italy's inflation rate this year to an average of 10 per cent, compared with last year's 15 per cent.

The Government is prepared to keep the rise in state-controlled prices down to 10 per cent and has offered an immediate three-months' price freeze. In return, it wants the unions to accept that the Scala Mobile will provide cover for only 10 per cent inflation over the year.

The CISL, UIL and the Socialist part of the CGIL are prepared to accept this, provided they receive compensation for any excess inflation at a later stage. But the Communists will only accept a three- or six-months' reduction in indexed wage increases, with the increases forgone being recovered automatically afterwards.

The Communists of the CGIL also say that "political conditions for an agreement do not exist." This really means that the opposition Communist party does not want to give the Socialist-led Government the political success of an agreement on the Scala Mobile.

Unless the differences within the CGIL are overcome, the chances of an agreement with the Government are slim. The possibility of a permanent split in the union movement looms larger.

Alan Friedman *visits the port that was once the pride of Italy*

Apathetic Genoa drifts into obscurity

A SUNNY and crisp winter morning in the once bustling port of Genoa: a few workers are lingering, but the sound of cars on the street is louder than the sparse activity on the piers. The pleasantly dishevelled offices of the regional transport workers' union are by the harbour.

Inside, Sig Alessandro Dacca, the union's Communist leader, makes an admission: "I will have to be frank and say that for too many years our workers here have not been willing to accept change in the port and the introduction of new technology. We too are at fault for Genoa's problems."

Later, in the luxurious offices of one of Genoa's most prominent shipping families, Sig Jack Clerici is just as frank. "I think Genoa has come to the end of the road. . . Genoa has been cut out of the big traffic."

Genoa is indeed in trouble. Once a proud seafaring republic on the Ligurian coast, it is now a victim of recession in the steel and shipping industries, of mismanagement, unreasonable union demands, petty political squabbling and an almost paralytic lack of initiative. It has been described as "Italy's Liverpool," but Liverpool at least has a concrete plan for the future.

The city's troubles are mostly in the state sector, where some 20,000 jobs are at risk. The publicly-controlled port, which has always been a vital part of the local economy, is in disarray. Struggles with the unions have meant the maintenance of the old "gang method" of working, where dockworkers are called in for special jobs—a man who services the keel of a ship would not go near the bow. One businessman last week described the system as "just like Marlon Brando in On The Waterfront."

Sig Francesco Forte, Italy's Minister for European Affairs, has supported converting the Cornigliano steelworks near Genoa into a freeport zone for light manufacturing. He said that the 100-hectare plant could be a suitable site for such a project. The other idea being advanced is for the privatisation of Cornigliano to avoid its total closure. Sig Forte was in Brussels yesterday for talks with Viscount Etienne Davignon, EEC industry commissioner, on Italy's steel restructuring exercise.

But far more damaging than strikes or high tariffs, which have forced shipping lines to favour Marseilles or Rotterdam, has been Genoa's failure to tackle the container revolution. Sig Clerici thinks that unless Genoa modernises soon, it will be like Boston or Los Angeles, other cities which have been cut out.

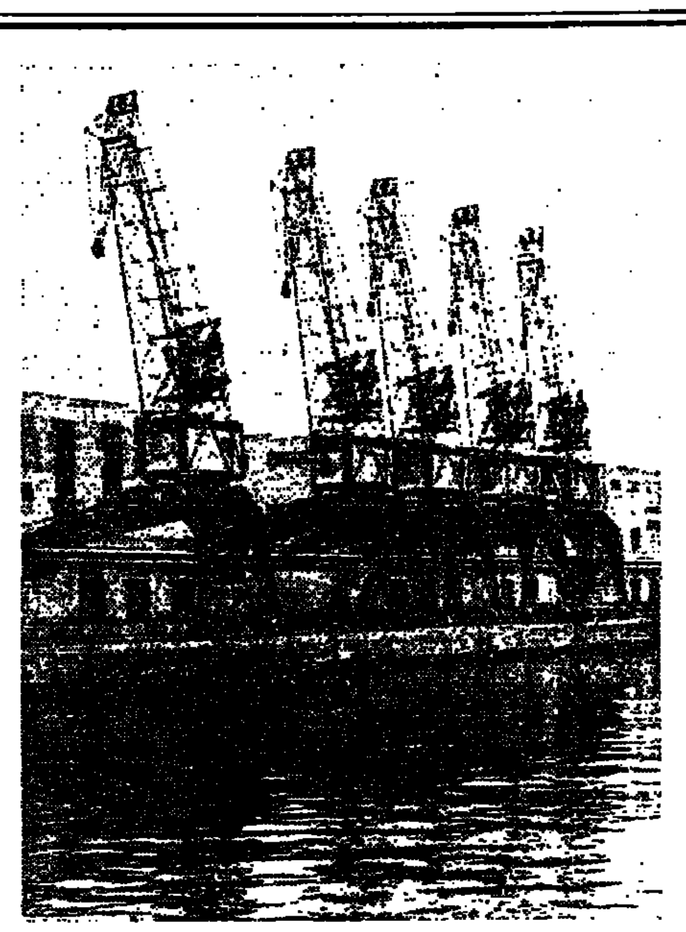
His own experience illustrates the problem: as one of Italy's major importers of bananas from Central America, he tried four years ago to place his own unloading equipment on the Genoa docks to speed up distribution of the bananas in Northern Italy. The state-controlled port authority would not allow it and today Northern Italy's bananas are shipped to Salerno, south of Naples, and carried 500 miles north by lorry.

After two years of squabbling between the city of Genoa, the region of Liguria and the national Government in Rome Sig Roberto D'Alessandro has been appointed the new President of the port authority.

The Genoa port uses four times the number of workers as a containerised port such as Rotterdam. Most of the men work on a few days each month, the handling costs have become prohibitive and only a radical restructuring is likely to change matters. But restructuring is a dirty word in Genoa.

The area's other major industrial problem is the Italsider steel works at nearby Cornigliano. The plant's 5,500 workers are facing unemployment as a result of Italy's steel restructuring plan, now being worked out in negotiations with Viscount Etienne Davignon, the EEC Industry Commissioner.

For years, Italy has delayed reducing capacity but now Genoa seems likely to have to bear the brunt of the cuts so that the Government can re-open the Bagnoli steel complex near Naples, only just modernised at a cost of L900bn (£373m).



Cranes lie idle in a deserted Genoa dock.

Prof Romano Prodi, president of Italy's IRI state holding group which controls both the port and steel industries, recently mapped out his own plan for Genoa's future. He envisaged the privatisation of Cornigliano, with the loss of 4,000 of the 5,500 jobs there; the development of new electronics and other industries and a restructuring of the port. The have been criticised as too vague andis resented by many Genoese, a reserved and diffident people who are somewhat culturally isolated from the rest of Italy.

Sig Fulvio Cerofolini, the Socialist Mayor of Genoa, says the Prodi plan is not enough; he hopes to develop a free port to spur business, although this requires approval from Brussels. Genoa, although at present depressed, is in fact a wealthy city, he notes.

"But the old entrepreneurs don't invest here anymore." Another businessman said: "We have the money. There are old families here. But you try and prise some investment capital loose from them."

The Genoese are begining to emerge from their apathy. Nowadays almost everyone has ideas and at least the unions, the state sector employers and private businessmen have agreed they must unite. The principal problem is that talk alone will not solve the city's troubles.

Parliament takes break for party business

By Our Rome Correspondent

THE ITALIAN Parliament is having a week off this week—in order to enable the tiny left-wing Proletarian Democracy Party, which has only seven MPs, to hold its congress. By tradition, parliamentary business always shuts down for party congresses.

It would hardly matter in itself, were it not that in the next 12 weeks no less than five other parties will be holding congresses. They range from the vast Christian Democrat Party, through the small but important Socialist Party (led by the Prime Minister, Sig Bettino Craxi), to the Party for the Proletarian Unity (PDUP), which has only six MPs.

There is also the possibility of an extraordinary congress of the Radical Party, which held its regular congress only last November.

Since each gathering lasts the best part of a week, at least five weeks of parliamentary work will be lost, although the Liberal Party is considerately, holding its congress at the same time as the PDUP.

The inevitable consequence will be yet further delay in considering proposed legislation, with which Parliament is always hopelessly bogged down anyway.

Important parts of the Government's programme will be held up, much of it consisting of Bills which have been re-introduced

Although the congresses, which usually come round about once every two years, are important for the parties, few of them are likely to bring significant changes in their leadership.

Easing of foreign currency law alarms Turkish banks

BY DAVID BARCHARD IN ANKARA

TURKEY'S CENTRAL bank is resisting efforts by the commercial banks to introduce a system of recording purchases of foreign exchange.

At the end of last year, Mr Turgut Ozal, the Prime Minister introduced a liberalised foreign currency regime aimed at eventual full convertibility. For the first time for more than a century Turks are allowed to own foreign currency. Companies may transfer up to $2m abroad for investment and those earning foreign exchange from tourism need not surrender any foreign exchange to the government.

However, the aspect which has most terrified Turkey's conservative private banks is that people can buy relatively large amounts of hard currency over the counter—up to $3,000 for each trip abroad, for instance.

Banks are afraid that the money will seep through into the black market. "Purchasing foreign currency and holding on to it is among the best short term investments a Turk can make," says the Turkish-born manager of a leading foreign bank operating in Turkey. He predicts that the Government will have to put the brakes on again by the end of the year.

Other banks complain that customers will only take cash. They say that travellers cheques are spurned as unreliable.

Fears about the system led the banks to press the central bank and the Government to introduce recording foreign currency purchases. The Turkiye Ogretmentler Bankasi and others argued that Turks should have to produce passports and have entries made in them

"Otherwise you will get rich people wandering from bank to bank and just buying hard currency to resell at a profit the next day," one foreign transactions manager said.

Mr Yavuz Canevi, the newly appointed central bank governor, believes these fears are unjustified, however. "For the first time for more than half a century, Turks have the right to invest in foreign exchange as well as convertible lira deposits. This should help reduce liquidity and rechannel funds to priority areas."

Confusion and fear in Beirut carnage

Patrick Cockburn reports from the Lebanese capital

"IT IS the worst I have ever seen, worse even than the civil war," said the manager of the Concorde Hotel yesterday morning after 12 hours of concentrated artillery bombardment of West Beirut by the Lebanese army. A shell had destroyed the hotel kitchen, and fires burned in several houses in the street outside.

The nearby West German Embassy was damaged, and a crater made the road past the British Council Office impassable. The streets, lined with burned-out cars, were still largely empty, although a few people were beginning to emerge from their cellars as the bombardment eased after a final flurry at about 6.30 yesterday morning.

In Hamra Street, once the fashionable heart of Beirut, some of the trees beside the road had been scythed down by shrapnel. The mutilated bodies of two men lay at one corner. They were two deaf-and-dumb brothers who delivered bottles of gas by bicycle, neighbours said. They obviously did not hear the shells coming or understand just what was happening.

The ferocity of the shelling may be a measure of the army's frustration at the takeover of West Beirut by the Moslem militiamen. Most of the soldiers and gendarmerie have stayed neutral or gone over in opposition to the Gemayel regime.

Outside the television station a group of soldiers said they supported the Government, then a militiaman in a denim jacket and clutching a submachinegun said: "There are no loyalists or dissidents. We are all here in support of the Lebanese national army." It was clear that here, and almost everywhere else in West Beirut, the militiamen of the Druze, the Shia and the Sunni who came on to the streets on Monday are in control.

Earlier yesterday there was fighting around the Bain Militaire, an officers' club on the sea-front which had been turned into a small military base. From a drive along the Corniche road yesterday the post appeared abandoned by its defenders, and a large building across the street was burned-out.

At the Helou Gendarmerie barracks, a centre for 2,000 internal Beirut security forces, three privates at the main gate said their unit had joined the opposition. An officer was more equivocal. He said it was too early to say what would happen, but he clearly wished to stay neutral.

His confusion mirrors the mood throughout the capital. People listen compulsively to local radio stations run by the different militias and parties, whose output is biased but often informative. "The Voice of the Mountain," the recently-founded and romantically-named Druze radio, spoke of loyalist units of the Lebanese army massing to launch a counter-attack at the crossing point from East Beirut marked by the yellow pillars of Lebanon's national museum.

But it is by no means clear that the army has the strength to launch such an attack. "Amin Gemayel has alienated all the Moslems and he does not have sufficient backing among Christians to get them to rally round his presidency," said a Christian in West Beirut.

The armed forces have a nominal strength of 37,000 men and U.S. army training teams have been busily teaching new recruits. Last year alone $1.2bn was paid for new arms, including tanks and artillery. At least three brigades are fully trained and equipped, and a fourth lacks only its M-48 tanks.

Will they fight? If they do not, the Gemayel presidency is doomed. He has no other cards left to play and is effectively isolated, wholly at odds with all the Moslem political leaders and distrusted by the Christians. "It will not be like last August," said a Lebanese, speaking of the time last year when the army pulled out of West Beirut and then counter-attacked successfully. "Too much blood has been spilled since then," he added.

The outcome of the crisis is impossible to forecast, but it must mark the end of the brief attempt by the Christian Phalange Party to take advantage of the 1982 Israeli invasion to become the dominant power.

This week's takeover of West Beirut marks the military and political resurgence of the Moslems and their Syrian ally, and its momentum will be difficult to stop. After last night few people in the West of the capital will take any chances, and basements are likely to remain crowded for some time.

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West Bank killers 'given immunity'

BY DAVID LENNON IN TEL AVIV

JEWISH settlers who shoot and kill local Palestinians on the West Bank enjoy a high degree of immunity from police investigation, according to an Israeli Justice Ministry report released yesterday.

The official investigation of complaints about the way the law deals with Jewish vigilantes in the occupied territories revealed that the Israeli military government frequently interfered to protect the settlers from police inquiries.

The criticism of the state of law and order on the West Bank with regard to Jewish settlers is believed to have been instrumental in the Government's decision to sit on the report for the past 18 months.

Judith Karp, the deputy Attorney-General who headed the inquiry commission, resigned as head of the investigation after the Government failed to act on the report. Public pressure finally forced the Government to release the findings to the Knesset (Parliament) yesterday.

The investigators found that in cases where West Bank Arabs were killed by Israeli civilians, the police investigators had failed to show sufficient drive and determination to bring the murderers to justice.

Much of the blame for this is placed on the Israeli military government which, the report notes, had issued orders that "any incident involving the opening of fire by residents of Judea and Samaria and involving local casualties will be handled by the military government."

In the light of this, the report notes, the usual response of the settlers to inquiries by the police has been to refuse to co-operate.

It has long been common knowledge that two laws apply on the West Bank, one for the Arabs, which is strictly enforced, and another for the Jews which is less keenly applied.

Commenting on the Government's attempt to deny the facts and belittle the report's contents, the Jerusalem Post newspap-- said yesterday that the claims that the law applied equally to Jews and Arabs "is patently untrue."

Iraq debt plea to Japan

IRAQ IS again asking three leading Japanese trading houses to accept largely deferred repayment on Y50bn ($214m) of debt due this year along the sam elines as that concluded in 1983, writes Jurek Martin.

These are that Iraq should pay 10 per cent of the sum in cash, with the remaining 90 per cent to be delayed for two years. Representatives of Marubeni, Mitsubishi and Sumitomo are currently engaged in negotiations with Iraqi authorities.

A spokesman for Marubeni denied a Japanese Press report that Iraq had asked the trading houses to accept oil instead of cash. In the second half of 1982, the Japanese trading houses did agree to take about $100m worth of Iraqi oil in lieu of cash.

Esso China to drill first well

ESSO CHINA, a joint Esso-Shell venture, will drill its first exploratory well in southern China's Pearl River basin later this month, AP reports from Peking.

It will be the first drilling project jointly undertaken by Chinese and U.S. oil concerns in the country's ambitious programme to develop its off-shore oil industry.

In Kuala Lumpur, Mr Arild Roedland, the Norwegian *Energy Secretary, said his* country was willing to share its experience in the administration of Malaysia's oil resources, reports AP. Eight Norwegian companies were discussing possible joint ventures *for* seismic surveys, engineering services, safety systems and other fields.

Hawke in Peking

Mr Bob Hawke, Australia's Prime Minister, arrived in Peking yesterday from Seoul, promising to brief Chinese leaders on South Korea's attitude to peace overtures from the Communist north, Reuter reports from Peking.

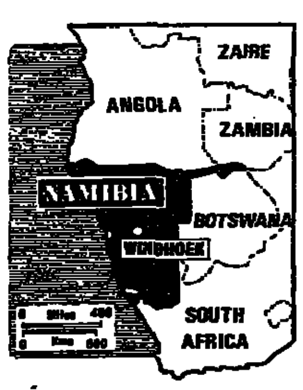
Iran pledge

Iran said yesterday that only holy cities in Iraq would be immune from attack *if* Baghdad carried out threats to bombard 11 Iranian cities, Reuter reports from Bahrain.

Korea bribes trial

***State prosecutors yesterday* demanded prison sentences of up to 15 years for 18 people, including the former head of a leading South Korean bank, accused of taking bribes in a multi-million dollar swindle, Reuter reports from Seoul.**

Talks expected shortly between U.S. and Angola



RENEWED TALKS between the U.S. and Angolan governments are expected to take place shortly as part of an urgent diplomatic effort to stabilise and extend the current South African troop disengagement in southern Angola, writes Quentin Peel, Africa Editor.

Negotiators have just three weeks before the expiry of the deadline for the exercise to persuade the South African government to extend the time limit. Once that has been accomplished, talks can resume on how to implement the United Nations plan for independence in Namibia.

Mr P. W. Botha, the South African Prime Minister, has insisted that no one should "take advantage" of the South African withdrawal from Angola, and Western officials are anxious that neither side should over-react to relatively minor infringements.

The interpretation in London and Washington of the South African exercise is that no South African forces will remain inside Angola, but the actual withdrawal is expected to proceed quite slowly. For its part, the Angolan government is expected to move its forces back into southern Angola, but equally gradually, in order not to disturb the process.

One unknown factor remains the response of the South West Africa People's Organisation (Swapo) to the disengagement. In Rome yesterday, Mr Sam Nujoma, the Swapo leader, said he was waiting to see "whether there is sincerity and honesty" in the South African move.

He repeated that Swapo was ready to talk to the Pretoria government about ways of implementing the UN Security Council resolution 435, the Namibian settlement plan.

There have been several contacts between Swapo and U.S. officials, although none recently at the level of Mr Nujoma and Dr Chester Crocker, the U.S. Assistant Secretary of State leading the mediation effort.

In spite of a degree of cautious optimism about the South African disengagement, Western officials admit that the key issue still to be settled remains that of Cuban "linkage": the insistence by both the U.S. and South Africa that any South African withdrawal from Namibia should be matched by a withdrawal of the estimated 25,000 Cuban troops in Angola.

Border peace breaks out: almost official

BY J. D. F. JONES IN CAPE TOWN

SOUTH AFRICA'S top soldiers are up on the Angolan border, planning the "disengagement" that is supposed to lead to a ceasefire in the border war with the guerrilla forces of the South-West African People's Organisation (Swapo). It is rather a delicate business, for the South Africans are to withdraw from territory in Angola which they have never admitted to occupying.

Meanwhile Mr Pik Botha, the Foreign Minister, appears on television to reiterate the heavy warnings to the Namibians, first uttered by Mr P. W. Botha, the Prime Minister, in parliament last week, that South Africa's patience has run thin.

Can it be possible, after so many false dawns, that peace is about to break out on the border and that Namibia is within sight of independence?

Some people who claim to have access to the thinking of the Cabinet declare that there has been a breakthrough; the Prime Minister, they tell you, became suddenly weary and declared that his Government was pulling out.

The Prime Minister's own statement is better evidence. The "South-westers," he said, must urgently decide what they were going to do; the territory was not part of South Africa and South Africa would put her own interests first.

The warning was reinforced by the strongest language Windhoek has yet heard about the unacceptable cost to Pretoria of supporting Namibia. Government spending has been running seriously over budget and South Africa is short of cash to pay for large and unpredictable bills.

The recent five-week incursion into Angola is said to have cost R500m (£282m) and the Prime Minister said last week that South Africa's direct and indirect aid to Namibia last year totalled R560m, plus between R400m and R500m for security.

Politically, it would be a good time to dump Namibia. The Prime Minister won a great victory in the constitutional referendum last year giving Coloured and Indians parliamentary representation, and has little reason to fear Right-wing reaction to a change of policy.

There is no reason to believe that the military will insist on holding South Africa's front line in Owambo rather than on the Orange River. The army may alsod be conscious that the standard of weaponry is being built up on both sides, and that casualties are going to get worse.

People are becoming slowly aware that the present policy of almost casual "incursions" into Angola to preempt alleged Swapo offensives could be counter-productive. In December the Soviet Union was sufficiently provoked to issue a warning to South Africa that the overthrow of the MPLA Government in Angola would not be tolerated. It looks as if Pretoria took the warning seriously or, perhaps, was told by Washington to listen.

It was the Americans who first raised the suggestion that South Africa should link her withdrawal of forces from Namibia to a parallel withdrawal of Cuban troops from Angola, and there have been hints of a shift in this policy since the visit here last month of Dr Chester Crocker, U.S. Assistant Secretary of State.

People speculate that the Cuban withdrawal might be phased, and that it would not be possible so long as the Unita rebels threaten the MPLA Government in Luanda. The Americans, after talks with the Angolans, have brought unspecified and unrevealed "assurances" to Pretoria.

These assurances can only relate to the future activities of the men in the Swapo bases inside Angola.

The South African attitude to Swapo is important because most observers believe that Swapo is likely to win any popular election in Namibia.

Sceptics maintain that the South Africans are merely trying, yet again, to ignore Swapo and put up a government of the "internal parties," initially as an interim government and composed of the new Multi-Party Conference (MPC).

The MPC, which is untested, has apparently been given until mid-March to come up with something; but any solution which ignores Swapo is certain to destroy the ceasefire.

The clue may be that it is all part of a wider "regional" reassessment.

Peace on the Angola frontier would be a basic part of this concept—as would a faltering of the success of Unita in Angola and the MNR rebels in Mozambique, both of which are generally thought to have enjoyed Pretoria's support.

No one expects the Marxist Governments in Luanda and Maputo to profess a sudden conversion to apartheid; but at least it looks possible that all three governments are wondering whether, for the time being, it would be wise to agree to coexist.

Setback to Argentine plan to cut inflation

By Jimmy Burns in Buenos Aires

THE ARGENTINE Government's attempts to reduce the country's 433 per cent annual inflation rate—a key priority of its economic programme—has suffered a setback with the announcement of an increase of 12.5 per cent in the consumer price index for the month of January.

The figure compares favourably with an increase of 17.7 per cent in December and of 16 per cent in January last year. However, it is 2½ percentage points above the target set by the Government following the imposition of price controls in December. It underlines the enormous task the new civilian authorities are facing in their attempt to achieve two-digit inflation by the end of 1984 and an increase in real salaries of at least 6 per cent.

Yesterday's announcement coincided with the arrival of an International Monetary Fund team led by the head of the Western hemisphere department, Sr Eduardo Weisner Duran—the first such visit since the civilian Government here was sworn in last December.

The Fund will spend several days in Buenos Aires gathering precise data on Argentina's economic situation with an eye to the eventual start-up of negotiations on a new standby agreement probably next month.

Nicaragua poll plans on schedule

DISCUSSION on Nicaraguan electoral law in the country's legislative body, the Council of State, is to go ahead as scheduled, Tim Coone writes from Managua.

Following two surprise air attacks last week by six Cessna aircraft against communications and military installations in the northwest of the country, the Electoral Commission, which is drafting the law, announced that it would postpone the presentation of the law to the Council of State because of the serious security implications of the air attacks. However, the decision now appears to have been reversed, and discussions of the law are to begin on Wednesday.

Lusinchi dismisses central bank chief ahead of debt moves

BY KIM FUAD IN CARACAS AND PETER MONTAGNON IN LONDON

VENEZUELAN President Jaime Lusinchi dismissed Sr Leopoldo Diaz Bruzual as head of the country's central bank on Monday night in his first move to clear the decks for rescheduling Venezuela's $34bn (£24bn) foreign debt.

The controversial Sr Diaz Bruzual, whose independent approach to monetary policy earned him the nickname of El Bufalo, was replaced by Sr Benito Raul Losada, who has twice held the central bank post in the past and is closely linked to Dr Lusinchi's Accion Democratica (AD) party.

The speedy removal of Sr Diaz Bruzual only four days after the new government took office was taken in the international banking community yesterday as a sign that Dr Lusinchi intends to move quickly to deal with the country's debt problems.

The former central bank governor had consistently refused to make foreign currency available to private sector borrowers to pay interest on their debt. As a result, private sector debt service arrears mounted to a total estimated at around $1bn. The change at the central bank should allow the arrears to be made good, paving the way for progress on the rescheduling.

Bankers in Caracas added, however, that Sr Diaz Bruzual may appeal against his dismissal by presidential decree, claiming in the Supreme Court that his five-year term which ends in 1986 is irrevocable.

The last months of the outgoing administration of President Luis Herrera Campins were characterised by a bitter feud between the Finance Ministry and the Central Bank over exchange rate policy and the treatment of private sector debt.

With the appointment of Sr Losada, a respectable economist, as Central Bank governor, international bankers believe that an economic team is in place which could cash in on Venezuela's economic turnround over the past year.

According to the Washington-based Institute of International Finance, Venezuela had a current account balance of payments surplus of $1.9bn last year after a deficit of $3.5bn in 1982. This means that Venezuela is unlikely to need further loans as part of its efforts to reschedule $18.4bn in public sector debt.

● Subscriptions to Mexico's $3.8bn loan from commercial bank creditors have now toppr $3bn according to bankers in New York. Though the loan is edging slower nearer to completion the pace of responses suggests that there has been some resistance to the lower interest margins offered by Mexico compared with those attached to last year's $5bn credit.

Grenada pledges curbs on public spending plans

BY HUGH O'SHAUGHNESSY

THE Grenadian interim administration has pledged itself to economise on public sector expenditure as part of a three-year $85.5m (£60m) development plan.

The pledge was made on Monday at a meeting of aid donors by Mr Allan Kirton, deputy chairman of the Grenadian advisory council. The meeting was attended by representatives of Britain, the U.S., Canada, the International Monetary Fund, the World Bank, the EEC and the Organisation of American States.

Mr Kirton repeated that the completion of the Point Salines international airport was the island's first priority and that remaining work on it could be completed for $24m. The meeting will be continued next week in Washington at a meeting of the Caribbean Group for Co-operation in Economic Development.

In London yesterday the Overseas Development Administration announced that Britain would be giving a £1m interest-free 25 year loan to supplement the £750,000 loan made to Grenada just after the U.S. invasion last October.

A blast of anger and dismay over the lost satellites

BY WILLIAM HALL IN NEW YORK

"IT'S A major embarrassment and makes the satellite community look like a bunch of idiots," said Mr Jonathan Miller, managing editor of Satellite Week yesterday as the U.S. space community desperately tried to explain why two identical $75m satellites had been lost to space.

The National Aeronautics and Space Administration (NASA), the owner of the space shuttle Challenger, was quick to point out that the shuttle itself was not at fault. Officials at Hughes Aircraft (makers of the HS-376 *satellites) and McDonnell* Douglas (which assembled the upper stage rocket or payload assist module (PAM) supposed to transport the 1,300 pound drum shaped satellites into position) were obviously perplexed by the problem which has jinxed the current space flight.

The two satellites—Nestar-6 *and Indonesia's Palapa B-2*—are the same as 12 other Hughes' satellites which have been put into orbit without incident—four from the shuttle, and eight on Delta rockets.

Astronauts Bruce McCandless and Robert Stewart became the first humans to fly free in space yesterday when they unhooked their lifelines and used a gas-powered jet-pack to propel themselves 320 ft from the shuttle Challenger

McCandless, who went first, moved out 320 ft from the ship by firing bursts of nitrogen gas from the backpack. Pictures beamed down and broadcast live on U.S. television showed a science-fiction-like scene of McCandless like a human satellite hanging against the blackness of space with the blue curvature of the earth to the right of the picture. After 90 flawless minutes, he returned to the cargo bay and turned the backpack over to Stewart, with the good wishes: "Go enjoy it, have a ball."

McDonnell said that the payload assist modules used on the current mission were the same design as 18 others which have *successfully launched satellites.*

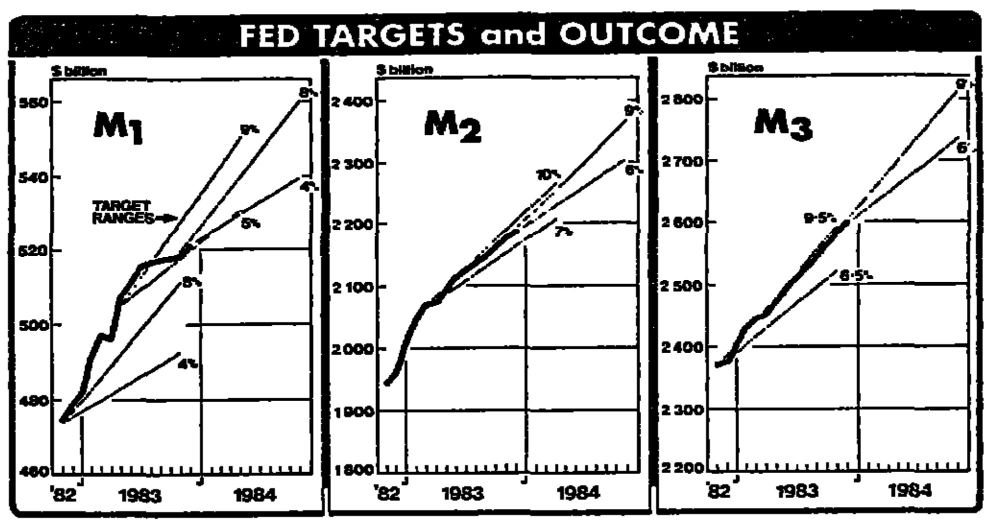
After the satellite is deployed from the shuttle, the bigger of the satellite's two motors, a Star 48, is fired to propel the space craft some 20,000 miles into its elliptical orbit. Once in roughly the right position the smaller Star 30 motor is fired to accurately position the satellite about 22,400 miles above the equator where it hovers

From the evidence so far collected it appears that the problem lies with the firing of the bigger of the two rockets. Instead of burning for 85 seconds it appears to have burned for less than 15 seconds.

David Marsh adds from Paris: When the European space rocket, Ariane, crashed into the Atlantic in September 1982 on what was to have been its first operational flight, NASA sent a telegram of condolence to the European Space Agency.

But since then, Ariane has made two perfect launches delivering communications satellites into geostationary orbit 36,000 km above the earth. *Ariane Space's official reaction* to the NASA setback was subdued. "If even the Americans have a failure, it shows that space is still not a routine activity," an official said.

Fed signals concern at twin deficit threat



Mr Paul Volcker, the Federal Reserve Board chairman, yesterday testified before the U.S. House of Representatives Banking, Finance and Urban Affairs Committee on the state of the U.S. economy, the prospects for continued non-inflationary growth and Fed policy. The following are excerpts from his remarks.

❛A year ago in appearing before you on this occasion I emphasised that after too many years of pain and instability, we had an enormous opportunity to sustain growth for years ahead in an environment of much greater price stability. Today, after a year of strong recovery, that sense of the opportunities before us has only been reinforced.

What we have not done in this past year is to face up to other hazards to our prosperity and to our stability, hazards that are new to our actual experience but which have been long identified. I am referring of course to our twin deficits: the structural deficit in our federal budget and the deficit in our external account, both at unprecedented levels and getting worse. Both of those deficits carry implications for the prospects of reducing our still historically high levels of interest rates.

So far, the strains heve been masked by other factors of strength and by the rapidity of growth from the depths of recession. But with the passage *of time and full recovery*, the predictable effects have become more obvious. They pose a clear and present danger to the sustainability of growth and the stability of markets, domestic and international. We still have time to act—but in my judgment, not much time.

Over the past year, our needs have been increasingly met by savings from abroad in the form of net capital inflow. That money has come easily amid world economic and political uncertainty, the U.S. has been a highly attractive place to invest. But part of the attraction for investment in dollars has *been relatively high interest* rates. In effect, the growing capital inflow has, directly or indirectly, helped to finance the internal budget, by the same token helping to moderate the pressures of the budget deficit on the domestic financial markets.

At the same time, the flow of funds into our capital and money markets pushed the dollar higher in the exchange markets even in the face of growing trade and current account deficit—and the dollar appreciation in turn undercut our worldwide trading position further.

We simply cannot afford to become addicted to drawing on increased amounts of foreign savings to help finance our internal economy. Part of our domestic industry—that part dependent on exports or competing with imports—would be sacrificed. The stability of the dollar and our domestic financial markets would become hostage to events abroad. If the recovery is to proceed elsewhere, as we want, other countries will increasingly need their own savings. While we don't know when, at some point the process would break down.

We recognise that the battle against inflation has not yet been won—that scepticism about our ability, as a nation, to maintain progress towards stability is still evident. That is one of the reasons why longer-term interest rates have lingered so far above current inflation levels. After so many false starts in the past, the scepticism is likely to remain until we can demonstrate that, in fact, the recent improvement is not simply a temporary matter—that the Federal Reserve is not prepared to accommodate a new *inflationary surge*

The doubts are reinforced by concerns that the pressures of the huge budget deficit on financial markets may, willy nilly, push us in that direction.

The desire to see interest rates lower, or to avoid increases, is natural. But attempts to accomplish that desirable end by excessive monetary growth could soon be counterproductive. By feeding concerns about inflation, the implications for interest rates themselves would be in the end perverse — and likely sooner rather than later.

As things stand, credit markets are already faced with potential demands far in excess of our capacity to save domestically: to add renewed fears of inflation to the outlook would only be to reduce the willingness to commit funds for long periods of time and for produc*tive investment. Inflationary* policies would also discourage the continuing flow of funds from abroad upon which for the time being, we are dependent.

In setting the targets for the various monetary and credit aggregates for 1984 as a whole, the Fed Open Market Committee had to remain alert to the danger of renewed inflation as well as to the need for growth.

Certainly, a kind of demonstration that we are beginning to face up to our budgetary problems would make it easier for monetary policy to do its necessary work. And, in the larger scene, it would be tangible evidence to our own people that we can do what is necessary to seize the bright opportunities before us.❜

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ENERGY REVIEW

Gulf war fans U.S. oil stocks debate

By Richard Johns

AS THE prospect of a major escalation of the Gulf War looms larger, the U.S. Administration is, somewhat belatedly, examining contingency plans to deal with a disruption of oil supplies.

The result has been an intensified debate about the way the U.S. should manage its own reserves of oil in a crisis and about the part it should play in the contingency arrangements of the Paris-based International Energy Agency.

So far, the answers to that debate on the part of the Administration are unclear, to say the least, but following the visit to Baghdad by Mr Donald Rumsfeld, President Reagan's special envoy, the Americans are not in much doubt about one thing: that the Iraqi regime may well respond to, or even anticipate, the gathering Iranian offensive by striking at Iran's oil traffic.

The danger then of Iranian retaliation stopping the flow of all oil from the Gulf, nearly a fifth of the non-Communist world's requirements, cannot be lightly discounted.

The belief, amounting almost to conviction, is that the crunch will come in mid-February. It is one shared not least by Saudi Arabia which, mainly for this reason, has placed nearly 50m barrels of oil in floating storage. The five Super Etendard aircraft delivered to Iraq by France four months ago and capable of effectively launching Exocet missiles at targets in the vicinity of Kharg Island are now understood to be operational. In addition, Western diplomats think Iran may have been supplied by the Soviet Union with SS-12 missiles, which possess a range of 700-800 km.

President Reagan is committed politically to keeping the Straits of Hormuz open. But beyond that the U.S. has two other important roles — as the leading spirit of the IEA, whose oil sharing arrangements would be triggered in the event of any member's supplies falling below 7 per cent of its consumption the previous year, and as the controller of its own Special Petroleum Reserve (SPR).

Since, in part for anti-trust reasons, the U.S. has tended to keep its distance from active IEA contingency planning, most attention is now focused upon the SPR.

That, in itself, constitutes a considerable assurance for the U.S. The national oil stockpile decided upon in 1976 contains nearly 400m barrels and has the physical capability to be drawn upon at the rate of 1.7m barrels a day. In his budget, President Reagan proposed that it should continue to be topped up in 1984 at a rate of 145,000 b/d, the level to which it was reduced last autumn and a lower one than Congress wants. With such a flow, the maximum capacity presently envisaged — 750m barrels — would be reached by 1990. That capacity is equivalent to half of U.S. crude and product imports in 1982.

In spite of the stockpile, the position of the Administration has been that in an emergency, supplies should be left, initially at least, to market forces. The SPR would be utilised only as a last resort.

This laissez-faire approach, critics charge, takes no account of the price consequences of a sudden oil shortage. Since the Government has never said under what circumstances oil from the SPR would be released the impression has grown that it has no coherent plan for its use. In other words, the Administration's approach is based upon security, rather than upon any attempt to manage the economic implications of an oil drought.

Disconcertingly to its allies, Washington's barely articulated policy — or lack of it — was shown in the IEA's Allocations Systems Test conducted early last summer. The exercise presupposed a cut-off in world oil supplies of the order of 8m-10m b/d, the kind of volume which would be involved if the Strait of Hormuz was closed.

Participating in it, the U.S. Government opposed any intervention by itself and cut its sharing obligation to the IEA as a whole by a half on the grounds that the SPR would be deprived of imports from the UK. The U.S. Department of Energy estimated that the price of oil would rise to $95 per barrel in an eight-week period.

It is for the President to decide if and when there should be any withdrawal from the SPR. Whilst no indication has been given of the kind of emergency which would justify such an act, the Department of Energy did rule last month on how SPR oil would be sold.

It would, the department said, be done on a competitive basis — by tender or by auction.

Protagonists in the U.S. debate: Energy Secretary Donald Hodel and John Treat of the New York Mercantile Exchange.

Following a presidential decision, a departmental notice of sale would specify the amount, type and location of oil on offer, as well as the delivery point. The method, very much along the lines of proposals published last March, was favoured because it would limit Government influence upon the market.

Mr Donald Hodel, Secretary of State for Energy, has said it would take two weeks to distribute oil from the reserve—the period of time required to satisfy the legal requirements for a competitive sale. But, given recent cuts in the level of stocks held by U.S. oil companies, carried out in the interest of saving inventory costs, that could be a very significant delay.

Critics of the administration say that a competitive sale of SPR allocations would, far from stabilising the situation, stimulate panic buying and drive up prices. Working from this proposition, some of these critics are now arguing for commitments that the SPR would be used to dampen speculation. They have come up with an idea of how it could be achieved: by using the futures markets.

Mr John E. Treat, President of the New York Mercantile Exchange, is leading the campaign for the sale of futures options on allocations from the SPR in anticipation of a crisis. He sees such a device as a means of alleviating inflationary pressures which could arise from a perception of a shortage as opposed to a real shortage—exactly what happened in 1979. Then a modest shortfall of supplies over a period of three months set in motion a leap-frog escalation which nearly tripled prices over an 18-month period.

Mr Treat—a former deputy assistant secretary at the U.S. Department of Energy during President Carter's administration and then adviser on international energy at the National Security Council until 1981—pressed the proposal again publicly at a conference in Washington in January. Last week in London he said that he had done so out of personal conscience rather than professional interest.

He believes that the SPR could have been used to good effect in 1979. "The argument then was that we do not have much of a reserve, so let us not use it. We had 80m-90m barrels. We could have used it but we did not." Five years later, Mr Treat complains that there is still no credible plan for mobilising the enlarged SPR.

"The Government says 'Trust us — when the crisis comes we will know what to do.' With all due respect that is baloney. When the crisis hits they will not have the faintest idea what to do. That is enough to guarantee that people will wait and that, large as the reserve is, it will be used too little and too late if we leave it.

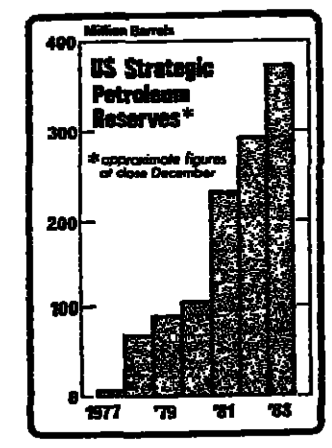
"So I am a firm believer that there must be an automatic trigger for the use of the SPR and the only reasonable trigger I see is price. It is the best one we have because price reflects people's consensus about whether there is a shortage or not."

Arguing that it is a more reliable indicator than any measure of a physical shortfall in supply, Mr Treat proposes that oil companies should be able to purchase options and take delivery if and when the price of oil, either on the spot or futures market, reaches a certain point above the official selling rate. He suggests an increase of about $10 per barrel. Mr Treat thinks that about 100m barrels should be made available on such a contingency basis.

If companies make decisions on their requirements in the midst of a general panic, he argues, the chances are that they will get their calculations wrong and give another twist to an inflationary spiral. Under a futures system they would make much more careful calculations.

"If the U.S. Government is seen to be allowing oil to come out of the SPR it will have a calming effect on people. That was one of my frustrations in 1979. We kept filling the SPR during the first few months of the Iranian revolution rather than putting it back into the market place, as I suggested."

The proposal for futures options on the SPR has aroused interest in Congress whose research service concluded in a study last summer that a year-long shortage of 5m-5.3m b/d in 1982, a period of exceptionally depressed demand and under-utilised producing capacity, would have resulted in the oil price rising to between $65 to $130 per barrel. Senator Carl Levin, who commissioned the report, described it "as the most comprehensive and sobering to date" on U.S. reliance on Gulf oil. He was critical, too, of the Government's laissez-faire approach to the possibility of a supply crisis.



For its part, the Department of Energy has acknowledged the proposal for futures options on the SPR to be an interesting one. Last autumn it asked for comments on it and received a mixed response. Belief in Government non-interference and market forces extends far beyond the Administration. Large oil companies make large profits at a time of escalating prices.

Last month Mr Helmut Merklein, a successor of Mr Treat at the Department of Energy, said that the administration believed some price increase during a shortage was required to dampen demand, but if there was an emergency officials would be "watching round the clock" to determine whether oil from the SPR should be drawn.

Pressures upon the administration, strengthened by worries about the U.S. performance in the IEA's paper game last summer, have clearly started to tell. The cabinet recently appointed a commission under Mr Hodel to review the oil contingency arrangements.

This, it is agreed, is necessary anyway in the context of rising U.S. oil imports which will, over the next few years, produce renewed dependency upon Opec.

Set in that timeframe, the Hodel commission has no need to be rushed into conclusions. But if there was to be a major disruption in supplies in the near future, Mr Treat thinks the Government is stuck with a rigid system, appropriate perhaps to the SPR's security role but not to addressing the potential economic impact.

WORLD TRADE

Britain and France to work together on nuclear reactors

BY DAVID FISHLOCK, SCIENCE EDITOR, IN LONDON

BRITAIN AND France yesterday agreed to pool their design and development efforts on the fast breeder type of nuclear reactor.

Sir Walter Marshall, chairman of the Central Electricity Generating Board (CEGB) and M Jean Guilhamon, director-general of Electricité de France (EdF) said in London that their pact could include a series of commercial-size demonstration reactors to be built over the next 15 years.

The first such demonstration, Superphénix, has already entered its test phase and is expected to be in operation within a year. The CEGB is planning to take a 15 per cent share of the next demonstration, Superphénix 2, also expected to be in France. It could build the third in Britain, in the 1990s, with French participation.

EdF has more nuclear electricity on its system than any other electricity company in the world. The major West German companies, Hoechst and BASF, recently asked EdF if it would supply them with power through dedicated lines across the Franco-German border, direct to their factories.

The attraction is the cheap French nuclear power, according to M Guilhamon. Sir Walter and he agree that French electricity prices are about 30 per cent cheaper than those in Britain, and 25–50 per cent cheaper than those in the rest of Europe.

EdF sees itself as a major exporter of electricity, growing steadily from about 15 per cent of its capacity at present. The new cross-Channel cable to Britain comes into service late next year. But Sir Walter says he fears a migration of energy-intensive UK industry into France to take full advantage of cheap power.

The French position today is that 48 per cent of its electricity comes from nuclear stations, mostly pressurised water reactors (PWRs), compared with about 16 per cent in Britain.

Britain has been talking of building its first Westinghouse-based PWR since 1977, when the Labour Government authorised a re-examination. This is the Sizewell B project, subject of a protracted public inquiry.

France has built 25 PWRs since 1974, M Guilhamon says. It has started building a further 25. Within three to four years, 70–75 per cent of its electricity will be nuclear.

M Remy Carle, EdF's construction director who built the highly successful Phénix prototype, believes Europe will need at least two more demonstration reactors, at four to five year intervals, before the electricity will compete with French PWR power.

Brazil set to buy radar system from Thomson

BY PAUL BETTS IN PARIS

THE FRENCH state-owned electronics and defence group, Thomson, is expected to win a FFr 400m ($47.6m) contract from Brazil to supply a new air defence and air traffic control system.

The latest deal with Brazil comes at a time when the Thomson group's standing has been greatly strengthened by a record $4bn arms contract between French companies and Saudi Arabia.

The French group's Thomson-CSF subsidiary will gain about 75 per cent of the Saudi order.

The new contract with Brazil involves the supply of a fourth air control radar system called "Dacta" built by Thomson. Since 1976, Thomson has supplied three such systems for air control coverage over southern Brazil.

The fourth system, due to be ordered by Brazil shortly, will cover largely the north-east of the country.

For Thomson, these contracts represent an important financial and psychological boost at a time when the company is involved in a complex swap of telecommunications and electronics assets with CIT-Alcatel, the telecommunications subsidiary of CGE, the other large nationalised French electronics group.

WORLD TRADE NEWS

Brazil orders $300m hydro-power plant from U.S., Canada

BY ANDREW WHITLEY IN RIO DE JANEIRO

U.S. AND CANADIAN companies are to supply more than $300m worth of equipment for two major hydroelectric dam projects in the fast developing Greater Carajas region, south-east of the Amazon River, in northern Brazil.

The accords represent a breakthrough for North American companies in a key sector previously dominated by the French and West Germans. Under a government-to-government memorandum concluded early last year between Brazil and the U.S.—a first of its type for the U.S. Government—a number of energy development projects were "assigned" to U.S. industry for further individual negotiations.

The projects on which preliminary agreements have now been reached are the 2,000 Mw Santa Isabel dam on the Araguaia River and the twin-unit 1700 Mw Sao Felix dam on the Tocantins, a 1,300 mile long artery running north to Belem through the states of Para, Maranhao and Goias. Total construction costs are estimated at over $1.5bn.

Memorandums of understanding were signed in Brasilia this week between Eletrobras, the Brazilian state-owned electricity utility, and Allis Chalmers and Combustion Engineering of the U.S. and Canadian General Electric (CGE), a subsidiary of the giant U.S. concern.

Combustion Engineering and two leading Brazilian heavy engineering companies are tied into the Sao Felix dam, while Allis Chalmers, CGE and a subsidiary of the Canadian company, Dominion Engineering, are to provide equipment for the Santa Isabel plant.

Commercial proposals detailing the technical specifications and the financing of the two Brazilian dams are to be submitted by mid-1985, by when the contracts are expected to be finalised.

Supply credits will cover the cost of the imported equipment, while parallel Euromarket loans of between $450m and $500m, to cover the chunk of the local construction costs, will also have to be raised.

The exact amount of the parallel finance is still to be negotiated. But under previous, similar agreements signed with Western European countries—including Britain—Brazil has insisted on the loans being no less than 150 per cent of the value of the imported goods.

Exports reach new record

BY OUR RIO DE JANEIRO CORRESPONDENT

BRAZILIAN exports to the U.S. of orange juice and steel made a substantial contribution to last month's trade surplus of $585m, the highest ever for the month, writes our Rio de Janeiro correspondent.

Unveiling the January figures, Sr Carlos Viacava, Brazil's foreign trade chief, said the 1984 target of a $9bn surplus — an essential component of the country's balance of payments adjustment programme—would be difficult to achieve, but "Brazil has the capacity and it's on the way."

In January Brazil exported goods worth $1.7bn, 9 per cent up on the same month last year. Imports, at $1.12bn, were 21 per cent down, thanks largely to a large drop in crude oil purchases.

Orange juice exports more than doubled last month to $115m, in response to the recent severe frost which blighted the orange groves of Florida, the largest producing region in the U.S. The juice now ranks second only to coffee as an export earner.

Sr Viacava said this week's steel exports would probably be slightly above last year's record 3m tonnes. He would not predict the outcome of this week's important talks in Washington on curbing the fast growing Brazilian steel exports to the U.S.

Portuguese to introduce short-term import curbs

BY OUR LISBON CORRESPONDENT

PORTUGAL WILL introduce selective short-term import restrictions to protect domestic industries under a new safeguard surveillance system set up this week as part of a reform of import procedures.

Under a newly published decree law, the Government will monitor domestic production and impose imports controls of up to six months in sectors where Portuguese industries could be seriously damaged by imports.

This "watchdog" procedure is the latest in a series of measures aimed at bringing Portugal's chaotic and arbitrary import control system into line with modern European standards.

Sr Alvaro Barreto, the Trade Minister, has said that import licence requests, that previously could take more than six months, would be handled within three weeks.

As part of its $480m standby agreement with the International Monetary Fund, the Government has undertaken to reduce a 30 per cent import surcharge to 10 per cent by March 31.

From 1982 to 1983, Portugal, struggling successfully against a massive foreign debt, brought imports down by 15.4 per cent in dollar terms.

Under the new surveillance system, the External Trade Department can order a surveillance of imports in key sectors and may issue restrictions ranging up to a total temporary ban to protect threatened Portuguese industries.

Leading imports expected to be affected include home electrical appliances and car parts. The restrictions may also be used to protect potential areas of industrial growth and specific geographical regions.

Alain Cass reports on why Balfour Beatty is completing vital transmission lines

British group rescues Sri Lanka dam scheme

A BRITISH company has come to the rescue of a crucial part of the £2bn Mahaveli River scheme in an effort to keep Sri Lanka's biggest development project on schedule.

Balfour Beatty Construction has stepped in to complete a vital transmission link between the Victoria Dam—one of four on the project—and the country's national grid.

This was after workers and site managers of the Bombay-based Kamani Construction and Engineering group had fled the site after last July's racial strife which brought the country to the brink of civil war.

Indian workers on the site have not reappeared fearing that persisting tension between the country's predominantly Sinhalese population and Tamil minority of Indian origin may erupt into another round of communal violence.

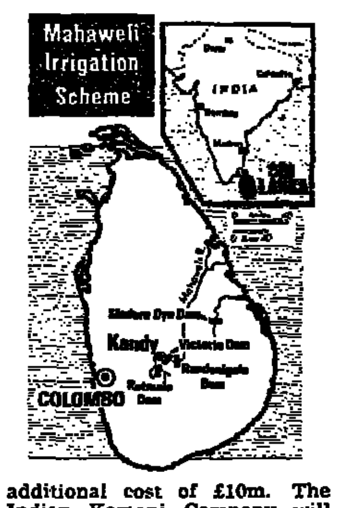
The Mahaweli River project has a key significance in Sri Lanka's assault on poverty. Under the project the dams on 206-mile Mahaveli River will triple the country's generating capacity and irrigate vast tracts of land to increase the country's food production.

Foreign aid of more than £400m has flowed into the scheme, a near record for any single development. Britain has contributed £100m. Late last year the British Government agreed to give Sri Lanka an additional £10m to finance escalating costs and serious transport problems.

Balfour Beatty, the major contractor on the Victoria Dam project, in association with civil engineering consultants, Edmund Nuttall, are now working flat out to complete the transmission lines linking the dam to the national grid by the target date of July.

British officials say the Indian company's ability to complete the project by the target date was in doubt even before last July's troubles, when the 80 Indian workers fled to India.

Balfour Beatty will now erect the pylons and transmission lines, without which the huge dam would be useless, at an additional cost of £10m. The Indian Kamani Company will manufacture these and ship them to Sri Lanka under a new agreement with the Mahaweli River Authority.



Sri Lanka's private-enterprise Government has pushed ahead with the Mahaweli scheme in an attempt to complete the project in seven years instead of the 30 years originally envisaged. This has been against the advice of the International Monetary Fund and the World Bank which want the Government of President Junius Jayawardene to slash its development projects in an effort to reduce a persistent balance of payments deficit and soaring inflation.

British aid totalling £100m is going to the Victoria Dam, which has risen in cost from an original £137m to around £235m. In April, 1984, 9,000 acres of a semi-urban area around Kandy are due to be flooded, including the homes of 45,000 people.

Partly because of geographical difficulties, the cost of building the Swedish-financed Kotmale Dam, some 30 miles up river from Victoria, have soared from an original Rs 4.5bn (£125m) to a figure now put anywhere between Rs 8.5bn and Rs 12bn.

Kotmale should be completed by 1985, a year before the Rs 4bn Randenigila Dam, which is part financed by West Germany. Canada has provided finance for the smaller Maduru Oya Dam, now nearing completion. As none of the aid is index-linked—only Sweden has offered more in response to rising costs—the money needed will have to come from the Sri Lankan exchequer.

Although the six years will soon expire, some parts of the programme have barely started and the Government is faced with higher costs, which it had hoped would avoid by opting for the shorter period. Costs have more than doubled since the programme was launched and are now said by the Mahaweli Authority to be Rs 64.5bn (£1.8bn) at 1981 prices.

The financial squeeze has caused the Mahaweli Authority to cut by a third its spending in the largely isolated new lands being irrigated in the eastern central part of the country. Urgently needed new roads are being held up. Machinery, tools, cement and agricultural implements, which the settlers need to clear the land and lay irrigation canals, are coming in only irregularly.

Italians to build gas complex in Algeria

By Alan Friedman in Milan

ALGERIA has awarded a $440m contract for a gas treatment and collection plant to Italy's Snamprogetti group, the energy equipment subsidiary of the ENI state energy company. The contract, which cements long-term energy trade ties between the two countries, was signed yesterday in Algiers by Sig Antonio Antonioli, president of Snamprogetti, and Mr Khellaf, general director of Sonatrach, the Algerian state energy corporation.

The $440m project, which will take 40 months to complete, follows talks last spring which led to a long-term import agreement under which Italy agreed to purchase increasing quantities of Algerian gas this decade and next. The gas import deal was signed in April, and Italy imported 1bn cubic metres of Algerian gas for the year.

This year gas imports from Algeria will rise to more than 6bn cu m, to be followed by 9bn in 1985 and 12bn in 1986.

The Snamprogetti contract calls for the construction of a complex in the Rhourde-Nouss area of Southern Algeria. The plant to be built with the help of other ENI companies such as Saipem and Nuovo Pignone, will handle gas treatment, repressurisation and collection.

The Snamprogetti-Sonatract project will employ around 1,500 including 250 Italian technicians. The plant eventually will handle 41 cu m of gas a day. Italy will supply industrial machinery and services with support from Sonatrach.

The awarding of a major contract to Snamprogetti had been expected as it was generally understood that last year's gas agreement foreshadowed a project for Italian companies.

India plans big Hanover Fair effort

By James Buchan in Bonn

INDIA IS launching a major trade promotion exercise abroad with nearly 400 companies and government agencies expected to take part in the Hanover Fair in West Germany in April.

The fair, which takes place from April 4-11, is often described as the largest capital goods fair in the world, and Indian Government and industry will be spending as much as DM 50m (£12.5m) to exhibit goods and processes on 23,000 square metres of space.

West Germany is India's sixth largest trading partner, but the balance is greatly in West Germany's favour, to the tune of DM 600m in the first three-quarters of 1983, according to the Bonn Economics Ministry. Sales to West Germany of engineering goods, which the Indians want to make the centre of their exhibition, amounted to only $32m in the Indian 1982-83 financial year.

West German business regards India as a huge, attractive and—in contrast to Iran—stable market but has often complained of the difficulties and time involved in Government licensing of projects. Indian officials claim the procedure has been speeded up and more than 90 Indian-German joint ventures or tie-ups were approved in the first nine months of 1983.

Iran halts letters of credit

Iranian authorities have notified the Tehran offices of Japanese trading houses and other companies they were temporarily halting the opening of letters of credit for some 110 non-urgent import items, the Japan External Trade Organisation (Jetro) said yesterday, Reuter reports from Tokyo.

Details were not immediately known, but the suspension covering textiles and other items would not last long, trade sources said.

Foreign retailers sell more UK products

BY LORNE BARLING

SALES OF BRITISH retail goods in foreign department stores particularly in the U.S. and Canada, have reached new heights in the past 18 months, according to UK-based representatives of the big overseas outlets.

Mr Keith Harwood, chairman of the Export Buying Offices Association (Exbo), said that British goods were now being bought at the rate of around £200m a year by association members, well above the level of 18 months ago.

He also believes the volume of sales will rise steadily over the next two to three years, provided manufacturers continue to adapt to overseas market requirements.

"I believe that 30 per cent of this recent success has been as a result of favourable currency movements, but 70 per cent has been caused by British manufacturers taking note of what is required on world markets," Mr Harwood said.

Exbo members will be providing advice on product design to manufacturers at a Birmingham Chamber of Commerce meeting on May 14. An exhibition aimed at overseas department store buyers and sponsored by National Westminster Bank, is to be held at the Chamber in September.

Mr Harwood has represented Macy's, the U.S. department store chain, in the UK for 36 years, and is the North American advisory group at the British Overseas Trade Board. "Those companies which have tried to sell their products overseas on a like-it-or-lump-it basis have generally failed, while others have adapted and succeeded," he said.

Design for the North American market was particularly important since around 70 per cent of the goods bought by association members were sold there. Other increasingly important countries were Japan and Australia.

Perhaps the greatest opportunity for retail goods existed in the clothing outlets provided by American department stores, where there was strong demand for good quality mens clothing, known in the U.S. trade as "clubroom garments."

Overall, the main danger to British exporters was the temptation to overcharge. "Americans are shrewd customers when it comes to buying retail goods, and they won't pay the earth, even if it is British," he said.

UK NEWS

Japanese makers to double VCR output in Britain

BY JASON CRISP

TWO OF the Japanese companies making video cassette recorders (VCRs) in the UK are to double their production this year. The companies, Sanyo and Mitsubishi, will also be increasing employment.

Mitsubishi said yesterday that it would raise output from about 5,000 VCRs a month to 10,000 a month starting in April. The company employs 43 people at Livingston, in central Scotland, and is taking on a further 16 people. Further recruitment is likely.

Sanyo, which manufactures VCRs at its colour TV plant at lowestoft, on the east coast of England, is also doubling production to 10,000 a month.

The largest single manufacturer of VCRs in Britain is J2T – a joint venture between Thorn EMI, Victor Company of Japan (JVC) and Telefunken – with just under 300,000 VCRs a year.

Toshiba, of Japan, is the latest company to make VCRs in the UK and is planning to build 10,000 a month at its colour TV plant at Plymouth in south west England.

Sanyo said it would employ a further 80 people by July, rising to about 120 by October. All four manufacturers are performing only the final assembly of VCRs in Britain. But they are seeking to increase the *local content of manufacture so that* the VCRs may be excluded from the EEC-Japanese agreement which limits exports.

Mitsubishi claimed that by the end of this year 65 per cent of the cost of VCRs made at Livingston could be attributed to the UK. Sanyo hopes to have 45 per cent local content in its UK-made VCRs by the second half of next year which would enable it to export to other EEC countries.

J2T also assembles VCRs in Berlin and has a total capacity of about 600,00 a year. There are no plans at present to increase this level although it is intending to increase the local content of parts. Hitachi, Matsushita and Sony also assemble VCRs in West Germany.

Vickers wins £40m Trident contract

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

VICKERS Shipbuilding and Engineering, of Barrow-in-Furness, has won a contract worth more than £40m to supply missile tubes for the Trident, Britain's new nuclear deterrent.

The order, for 48 tubes, is for three of the four proposed submarines. Tubes for the other submarine are being ordered direct from the Electric Boat Company of the U.S., the builders of the original Ohio submarines on which Britain's ships are modelled.

Ministry of Defence officials yesterday declined to state the value of the U.S. order for the tubes. A $63.8m contract recently awarded to Electric Boat did not cover the cost of the missile tubes. That contract covered "design services on the missile compartment area."

The UK Trident fleet is officially estimated to cost £7.5bn over 10–15 years. Unofficial estimates suggest that at 1984 prices, the programme could cost just over £10bn, partly because of inflation and the fall in the value of the pound against the dollar. Some 45 per cent of project is to be spent in dollars.

The Defence Ministry said the new contract with Vickers would be on a "firm price basis" for the first 16 missiles, and a "fixed price" for the second two batches. Vickers will sub-contract about 50 per cent in value of the work to Babcock Power, the ministry's suppliers of nuclear reactor pressure vessels.

Manchester United may be bought by Maxwell

BY RAY MAUGHAN IN LONDON

MR ROBERT MAXWELL, the British publishing millionaire, is negotiating to buy Manchester United, a leading English football club. Mr Maxwell heads Pergamon Press and the British Printing and Communications Corporation (BPCC).

No price has been indicated, but in a joint statement with Mr Martin Edwards, the First Division club's chairman and chief executive, Mr Maxwell said: "It is intended that the negotiations should be conducted speedily to reduce the period of uncertainty to a minimum."

The statement also stressed that "no agreement has been reached for the transfer of control of Manchester United."

Mr Edwards was travelling from Manchester to Birmingham to watch a match yesterday and was unavailable for comment. He controls the club, holding just over half the 1m shares, and his brother Roger owns another 20 per cent. A further 10.3 per cent is owned by Mr James Gulliver, who has created the Argyll food retailing group in the last few years.

Manchester United shares are traded on the London Stock Exchange under special rule 163 (ii) which means that the shares are traded only by special permission on a matched bargain basis. The price was unchanged at 240p ($3.40) yesterday, valuing the club at £2.4m.

Few expect, however, Mr Maxwell to gain control of the club for anything like that figure. Mr Maxwell, born in Czechoslovakia, is a former Labour MP and a would-be national newspaper proprietor.

United's accounts for the year to May 1983 showed that the club made profits of about £400,000 before tax and excluding transfer fees.

best-known and supported clubs in the world. The side has won the domestic FA Cup five times, the last occasion being in May 1983, but the most recent of its seven League Championships was won in 1967.

That celebrated team, including George Best and Bobby Charlton, went on to collect what the club regards as its greatest honour, the European Cup, in the following season, yet Manchester United and its legion of supporters has been forced to watch, with frustration, as Liverpool has gone on to become Europe's premier club side.

Mr Maxwell is a recent convert to League football. In 1982 he pledged £124,000 of his own money to save Oxford United, his local Third Division club, from receivership. He became its chairman.

Manchester United, which is currently second in the English League, was recently knocked out of the Milk Cup competition by ..., Oxford United.

Thatcher's proviso on launch aid for Airbus

MRS MARGARET THATCHER, the Prime Minister, has indicated that the Government, before committing itself to launch aid for the European Airbus A-320, wants to be satisfied that the financial return will be commensurate with the risk involved.

In a letter disclosed yesterday, Mrs Thatcher said that, at a time of many competing claims for limited funds, "it is essential that we obtain the best possible value for money in the use of public funds."

Mrs Thatcher's letter has not discouraged speculation at Westminster that the Government's decision – now expected next week – will be in favour of some launch aid, but substantially less than the £437m requested by British Aerospace for its share in the project. Proposals for joint funding are being discussed by the company and the Government.

The Prime Minister said in her letter, "The Government fully recognises the importance of the A-320 for the British aerospace industry."

● **THE TESCO** supermarket chain is to stop selling Canadian fish because of customers' objections to the culling of Canadian seals. Tesco said it had received about 10,000 letters of protest and had decided not to stock any more cans of Canadian fish after present supplies were sold.

Tesco's major competitor J. Sainsbury said that decisions about what to buy were up to the customers and not to the store. But it was not at present placing new orders for canned fish with Canada, it said, "while we are holding discussions with the Canadian canning and fishing industry and the Canadian High Commission."

● **THE SEVERN BRIDGE**, the main road link between England and South Wales, is to have urgent repairs costing about £33m. Announcing this yesterday, Mr Nicholas Ridley, the Transport Secretary, said there would be a two-year feasibility study into providing a second bridge or tunnel.

Mr Ridley said the repairs – which follow an engineering report which stated that the bridge could collapse in exceptional circumstances – would take between five and seven years. There would be the least possible interference with traffic.

● **AUSTIN ROVER** laid off 1,100 workers at its Cowley assembly plant, Oxford, yesterday after an unofficial strike by 200 trim shop workers which has halted production of the Rover and Acclaim.

● **ACCESS**, the credit card company, increased its turnover last year by 32 per cent to £3.15bn. Losses from the illegal use of lost or stolen cards rose from £4.8m to £5.2m.

Workers at Yarrow shipyard vote against national pay deal

BY DAVID BRINDLE, LABOUR STAFF

THE 3,800 manual workers at Yarrow Shipbuilders, on the Clyde in south-west Scotland, have voted to reject a pay offer by British Shipbuilders.

They are the first group of the 57,000 workers in the nationalised industry to vote on a peace formula which averted a national strike due to start on January 6. British Shipbuilders offered to backdate a £7 a week increase to November 1 last year in return for improved productivity and changes in working practices. There is a deadline for acceptance of this Friday.

Mr Stewart Crawford, a union official at Yarrow, said after a mass meeting yesterday: "The men rejected the pay offer and decided they wanted to return to plant bargaining. The meeting also gave the go-ahead to co-ordinate opposition to the pay offer by contacting other yards."

Mr Crawford added: "If there was some commitment to British Shipbuilders as a nationalised industry, it might alter attitudes slightly. We don't see there is any commitment."

The Yarrow yard is building five frigates and an anti-mine vessel for the Royal Navy.

Workers at other yards are still discussing local application of the national agreement. At the Vickers warship yard at Barrow, north-west England, negotiations which broke down on Monday resumed yesterday. A meeting of the 8,000 manual workers is planned for today.

At Vosper Thornycroft in Southampton, another warship yard, talks will resume today

Unions at the profitable warship yards believe that privatisation of this sector is imminent.

Merged textile group beats profit forecast

By Anthony Moreton, Textiles Correspondent

VANTONA VIYELLA, one of the four large integrated textiles-to-clothes companies in the UK, has comfortably beaten its own expectations for the first year of trading with a pre-tax profit of £12.05m on a turnover of £307.3m.

The group was formed a year ago from a merger between Vantona and Carrington Viyella. Its preliminary estimate was a profit of about £11m on a turnover of £300m.

The merged company started life with debts of £55m and these have been reduced to £930,000. Cash at the bank has gone up from £988,000 to £6.96m.

A year ago, the combined workforce was 18,463, which was reduced by 1,700. Since then, however, another 900 have been employed and at least 200 more jobs are expected soon because of strong demand for clothes and household textiles.

Mr David Alliance, chief executive, said the company's recovery appeared to be sustained

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MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

John (left) and Leonard van Geests: concentrating on mainstream activities — Ashley Ashwood

Geest responds to pressure for change

Charles Batchelor on the UK food distributor's reorganisation

GEEST Holdings, Britain's largest fruit and vegetable importer and distributor, is getting back to basics. After several decades of steady expansion and diversification into activities such as light engineering and computers it has decided to concentrate on its core business of food distribution.

Leonard van Geest, 33-year-old chairman of the family-owned £315m turnover group, sums it up: "We went down the track of diversification into unrelated areas in some instances. It distracted us from our mainstream activities."

The solution has been a restructuring which places food marketing and distribution (including shipping) within ten divisions of a new main operating company and peripheral activities within a further two operating companies. All three are under the umbrella of a main holding company. One objective has been to allow main board directors to stand back from day-to-day operations in order to assess performance and devise strategy.

Thus, Geest Industries is now the main operating arm with engineering and computer activities, which are currently loss-making, trading as Geest Industrial Group and Geest Computer Services.

Geest defines its core business as the fast handling of any fresh food product—from guavas to gooseberries. If it can get a product into its distribution system by 2 pm it can be sitting on the supermarket shelf by 7 the following morning. It takes slightly longer to reach Scotland.

The re-assessment of strategy followed the accession to power of the second generation of the Van Geests, and was prompted by the tough trading conditions facing the group and the patchy profits performance of the past few years. A previous reorganisation took place in 1972, but though it was judged to have worked at the time, the growth of the company, its diversification and the changing consumer tastes for food have since created different demands.

The story of Geest starts in 1936 when two Dutch brothers—John and Leonard—came to Britain to sell the fruit, vegetables and flowers being grown by their father's company back in the Netherlands.

The business they set up is now one of the largest privately-owned companies in Britain. It employs 4,000 people marketing an ever-growing range of fruit, vegetables, flowers, house plants and garden products to wholesale markets and large retailers. From fresh fruit it has moved into supplying coleslaws and pancakes and is now investing in an aseptic area where it can handle cold meats and seafood for delicatessens.

Nationwide distribution is handled from 12 regional depots by a fleet of 300 temperature-controlled vans while four refrigerated vessels make regular shipments of bananas from the West Indies.

Geest has marketed the entire banana crop of the Caribbean Windward Islands since the early 1950s. By establishing close links with its growers and paying close attention to the appearance of the fruit, it steadily eroded a virtual monopoly of the banana trade enjoyed by Fyffes, a subsidiary of the United Brands Company of the U.S. Today, it supplies nearly half the bananas eaten in Britain.

Another of the new generation Van Geests now in the driving seat is John, 31, who is Leonard van Geest's brother. John was brought in last year to take over the development of the UK produce side of the business as well as running the 5,000-acre family farms which supply some produce to Geest but operate at arm's length. John is not, however, a main Board director.

Leonard van Geest first went to work for the family concern at the age of 18 and spent 2½ years in the bulb nurseries. He then left, he says, to "tag along" with Urwick Orr, a management consultancy, which advised on the restructuring of Geest in the early 1970s. From there he went to a firm of accountants before completing his grand tour with a couple of years at Marks & Spencer—a major customer of Geest.

"It was a fascinating time with M & S," he says. "The most important thing I learned was the discipline needed to run a business, the need for tight control."

Pressure on profits over the past few years persuaded Leonard van Geest that a fresh look was needed at the company organisation and its priorities.

Turnover has risen steadily over the past decade from £102m in 1973 to around £315m last year but profits wilted in the early 1980s. From a peak of £4.2m in 1980 they fell to £3.25m in 1981 (after discounting a £4.8m profit from the sale of ships) and to £2.3m in 1982. Last year they recovered to around £3m.

Geest has now been transformed from a loose corporate structure which comprised eight overlapping companies and ill-defined groups of businesses. Each of the 11 divisions within Geest Industries has clearly-established responsibilities and is in charge of its own planning and investment and has its own profit and loss account and balance sheet.

Previously, directors were not in a position to plan the development of their own area of activity since their responsibilities overlapped with those of other parts of the organisation.

"People would complain that they could not plan ahead and this became an excuse for not doing anything" says Leonard.

Leonard van Geest remains chairman and managing director of Industries but plans to strengthen the board to allow him to concentrate on the chairmanship of the group holding company.

Other holding company directors include Leonard's uncle John, who is president, Jacob van Geest, a cousin who runs the Dutch company from which the British group evolved (though no English van Geest sits on the Dutch company's board), and the only non-family member, Stuart Coltman, the finance director and joint company secretary. The Dutch and British Geest companies have close trading links but are otherwise separately run.

A key element in the new structure is the UK produce division. Perhaps because of its Dutch origins, Geest has in the past tended to concentrate on imported fruit and vegetables. Many of the company's acquisitions specialised in this area.

However, spurred on by the tough quality conditions laid down by the large retailers such as M & S and Sainsbury's, Geest has chivvied English growers into improving the quality of the products they supply to market.

"The British grower has tended to produce what he fancied then pushed it onto the market to see what he could get," comments Leonard. "Continental growers have in the past been well ahead in terms of quality, packaging and timing. If a couple of hundred people, each with just two acres, decide to grow lettuce at the same moment they can kill the market."

So Geest has put a lot of effort into establishing grower-run co-operatives in the UK and keeping them informed about what the market wants and how best to supply it.

Geest itself has felt the pressure of ever higher quality demands from the large retailing chains. It is now considering a £20m investment programme to upgrade its distribution and handling centres.

"Our investment has not kept up with the market," concedes Leonard van Geest. "Some of our premises are getting long in the tooth."

Geest went into the manufacture of horticultural trolleys, skips and boxes in the 1930s when it found it could not meet its requirements from outside sources. It now markets a wide range of handling and storage equipment and agricultural machinery. But mounting losses have forced it to merge its two agricultural equipment factories and increase the volume of factoring it does for outside suppliers while reducing its own manufacturing operation.

Its computer business, which developed from its own need for computer-controlled distribution, has also been cut back sharply to reduce losses. Its data products division has been sold although Geest says it intends to remain in the business.

"We have achieved 60 per cent of what I want in terms of profits," says Leonard van Geest. "I want to reach a 15-20 per cent return on capital employed which would give us £6m plus profits."

PA's new partnership fills a 'yawning gap'

JIM LAWRENCE, Iain Evans and Dick Koch are hardliners. They don't buy the notion, made fashionable by the best-selling book "In Search of Excellence," that companies can breed success by emphasising "soft" management characteristics such as style and shared values. For Lawrence, Evans and Koch, it's the "hard" elements that are of supreme importance, notably strategy, structure and systems.

European chief executives are likely to hear quite a lot of their message over the next year or two. For Lawrence, Evans and Koch, who a year ago left the world's biggest strategy consultancy, Bain and Co, to set up on their own as LEK, are now going into partnership with one of Europe's largest management and technology consultancies, PA.

The deal to be announced in a few days' time will lift PA from the second rank of international consultancies into the top league, where it will try to challenge the U.S. giants of "full-service" management consultancy—McKinsey and Company, Booz, Allen & Hamilton, and Arthur D. Little — as well as specialised "strategy boutiques" such as Bain, the Boston Consulting Group, and Braxton.

The establishment of the 50-50 partnership in London under the name of PA Strategy Partners, will at last enable PA to do top-level strategy consulting, which has been one of the most lucrative consultancy sectors over the past decade, but which up to now has been a yawning gap in PA's expertise.

The deal should also give it an edge over the specialised firms in linking strategy with an extensive network of "operational" specialists: PA has 1,300 consultants around the world in such fields as research, design and development, manufacturing, marketing, computers and information technology, personnel management, and so forth.

Only full-service consultancies can claim to offer such a strong combination of skills in both strategic analysis and the detailed implementation of strategies; the strategy specialists have come in for growing criticism in the last few years for their lack of implementation skills, whether in transforming a company's technology or in changing its corporate culture (see Management Page, Dec 12 and 14, 1983).

Since they broke away from Bain, Lawrence, Evans and Koch have built up their client list to five: they are already working for two British companies and a Scandinavian enterprise, and will shortly start projects for two continental companies.

To cope with this workload, they have expanded their staff fivefold over the past six months, from the original three to 15. Like the LEK trio, most of the new arrivals share the typical background of that highly-paid breed, the American strategy consultant: relative youth (aged 28-35), a business school degree, and several years' largely analytical work in strategy consulting, accounting or investment banking.

Though still small in comparison with the groups of several hundred strategy consultants employed by each of the established U.S. firms, Lawrence, Evans and Koch say they expect to gain considerable advantage from their group's heavily European background, experience and approach: only two of the staff (including Jim Lawrence, the managing director) are American. Koch, a Briton who used to work for Shell and the Mars Group, alleges that U.S.-based consultancies tend to treat European clients as if they were American. Yet there are all sorts of vital differences, he argues: "For one thing, the managerial hierarchy works in the U.S., but doesn't in Europe. Even in Germany, a top manager can't just tell people what to do," he says.

PA began courting LEK late last spring, shortly after it had completed a painful review of its strategy and structure which underlined the desperate need for a top-line strategy team ("PA swallows a bitter pill", Management Page, November 2, 1983).

The partnership structure agreed by the two sides will allow the strategy consultants to be paid well above the PA norm, in terms of both salary and profit sharing. Peter Lawson, the PA board member most closely involved with the partnership, is well aware that this could create tensions with PA's existing staff, as could the very arrival of such "star" outsiders to do what is generally considered the most glamorous type of consulting.

But the LEK partners have already had considerable contact with various levels of the PA empire, and Lawson is confident that, as he puts it, "the chemistry will work."

PA Strategy Partners will benefit from an innovation in strategy consulting: the regular provision of advice and new ideas from a standing council of seven of the world's leading business academics, including Professors Robert Hayes of Harvard, Harold Leavitt of Stanford and Edgar Schein of MIT. An advisory board of top businessmen and former politicians and officials is also being formed; it will include Sir Peter Carey, until recently the top civil servant at Britain's Department of Industry.

Christopher Lorenz

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

A loan, denominated in foreign currency, is taken from a bank; this loan is then repaid out of a bank overdraft denominated in the same or a different foreign currency and maintained with a different bank.

For the purposes of year-end accounts, your comments regarding the description of any exchange difference arising as "realised" or "unrealised" would be appreciated, since the company by which I am employed has stated the intention of adopting the "unrealised" approach and I consider this to be an error.

The unrealised approach could be appropriate if — (a) the loan (and then the overdraft, or part of it) was to finance, or to hedge, foreign equity investments; or (b) the finance is part of a group asset and liabilities (denominated in a foreign currency) which constitute a foreign enterprise, as defined in SSAP20.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

THE ARTS

Television/Christopher Dunkley

Just too good to last


Scene from "The Heart of the Dragon"

It may seem perverse to suggest that any programme could be made too well, but there is a sense in which that is true of the introductory episodes to both *The Living Planet* on BBC 1 and *The Heart of the Dragon* on Channel 4. Each aimed to fulfil two functions: provide a broad over-view of the entire series and sell the series to the viewer. Both succeeded brilliantly. Unfortunately the result is that subsequent episodes seem somewhat ordinary by comparison. True, David Attenborough has lost none of his old charm, and the clarity of his scripts is as exemplary as ever.

Furthermore there have been scenes of near magic in episodes 2 and 3 of *The Living Planet*: the snow leopard in "The Frozen World" and an extraordinary shot of a polar bear under water; the injudicious vole breaking through the snow in "The Northern Forests" (even if it was not really the one the owl killed, how did the cameraman know which bit of virgin snow to watch?) and the owls themselves, filmed in astoundingly long panning shots, floating like silent feathered missiles across the landscape.

Yet after that superb opening episode with its lucid essay on the structure of the very earth, expectations had been raised to an impossible height: one wanted 11 more of a similar standard. Being given the merely excellent instead, one feels mildly disappointed.

So too with *The Heart of the Dragon*. After the majestic sweep of Episode I across Chinese history, philosophy and politics, it seemed somewhat mundane to be required in Episode 2 to look at all the old documentary favourites—prison routine, hospital surgery, schools, the residents' committee and so on — albeit there were breathtaking moments as when the woman with a goitre chatted to the nurse seconds before having her throat cut for an operation without anaesthetic, using only acupuncture.

In neither case is there any question of not watching the rest of the series. But the feeling of having been enticed into the sideshow by the excitement of the barker only to find a perfectly *ordinary* mermaid within is oddly ambivalent.

The season's other big documentary series, BBC2s history of the theatre, *All The World's A Stage*, may well benefit from the opposite phenomenon: having opened with a somewhat disappointing episode it is promising to improve.

It would perhaps be going to far to identify a Freudian slip when, at the start of Episode 1, instead of saying "I believe the theatre has persisted because it is needed," presenter Ronald Harwood actually said "The theatre has persisted because I believe it is needed."

The assiduous attention that the programme went on to pay to Mr Harwood's own play, "*The Dresser*," made one wonder whether perhaps he really meant what he said; that he personally was responsible for the theatre's survival. Whatever the practical reasons for *featuring his own work* it was bad PR to appear quite so self serving in Episode 1.

Episode 2, however, which got down to the nitty gritty (for once the phrase is literally accurate) with the move from song and dance on the Greek threshing floor to the chorus in *the amphitheatre*, began to look and sound very interesting. Harwood has some oddly mystical notions about why Greek theatres have good accoustics: he thinks it is because the Greeks wanted to communicate and implies that bad accoustics in later theatres elsewhere indicate the reverse in other societies whereas some of us might put more weight on the Greeks' luck in being an outdoor people who happened to find the right shaped dells.

Notwithstanding these personal foibles, Harwood does display just the sort of controlled passionate enthusiasm for his subject that is needed by the presenter of a big series such as this. His introduction to Dionysus was fascinating. Moreover the extract from "The Bacchae" with Edward Fox and Terence Stamp was so good one would gladly have watched the whole play.

*

When it began BBC2's *Strangers And Brothers* looked as though it might be one of those serials which, without creating violent enthusiasm or winning awards, capture the imagination and draw one back episode after episode almost against one's better judgment. It turns out, however, that the more you see the more readily resistable it becomes.

After four of the 13 parts the characters still fail utterly to induce the suspension of disbelief which is vital for any fiction to succeed, and it is surely not the fault of the actors. It is difficult to imagine anything more than Shaughan Seymour and Sheila Ruskin could do to bring Lewis and Sheila Eliot to life, and Peter Sallis (always known in our house as Mr Bonteen after the character he played so memorably in *The Pallisers) does all that one* could ask and more with Leonard March.

Adaptor Julian Bond may have to bear some of the blame for translating prose into drama in a way that requires *the cast to deliver* wholly artificial constructions. The only people who ever mouth phrases such as "You wouldn't have said it unless—unless you were afraid . . ." or "I discovered talents, made reputations, yes! and . . ." are characters in third rate novels.

In the end that, surely, is the trouble: the quality of the original books. The characters are like the inventions of a Martian whose knowledge of the human race is wide and deep and detailed but gained entirely from third parties. It is as though C. P. Snow had never met any real people at all, merely heard a lot about them.

*

Of the large number of new funny programmes in this new year season I have managed to see five situation comedies (*Dream Stuffing* on Channel 4; *Ever Decreasing Circles, Sharon And Elsie* and *We Got It Made* on BBC1; and *The Hello Goodbye Man* on BBC2) two comedy sketch series (*The Steam Video Company* on ITV and *Alas Smith And Jones* on BBC2) and one showcase for new stand-up comedians (*Pyjamarama* which appears only in the London area).

Of these the best by a fairly *wide margin is Alas Smith And Jones* which might have been called "Not The Half Past Four News" since it stars half the old "Not The Nine O'Clock News" team: Mel Smith and Griff Rhys Jones. The risk with such programmes is always said to be that they will limp on beyond their time, though memory suggests that *Not Only But Also, Monty Python's Flying Circus* and *NTNOCN* all ended before the public had had enough.

Anyway it was gratifying to discover the first episode of *Alas* (at the time of writing it had been impossible to see last night's programme) manifesting the same flair and mania which we learned to expect from *NTNOCN*. Best of all there was the same channelled acidity, their channelling being the vital element which makes these comedians different from the slightly younger groups coming *along behind (in A Kick Up The Eighties* and *The Comic Strip Presents* for instance). The younger groups appear to be wholly unselective in their ridicule whereas Smith and Jones specialise in mocking the more absurd aspects of their own medium.

Their opening programme started with an attack on the contrived applause of American television—as much an assault on biddable audiences as on manipulative performers — and went on to take a gratifying swipe at the childish repetitiveness of *Benny Hill* in a skit which also sent up BBC drama's current fixation on churchyard funerals.

Of the rest *Dream Stuffing* and *We Got It Made* are two more routine domestic sitcoms, the first featuring a couple of young women in a London flat and the second a couple of young men in a New York flat. Each supplies the usual quota of weak giggles for any viewer too tired or idle to switch channels. *The Hello Goodbye Man* stars Ian Lavendar (the "stupid boy" from Dad's Army) as an inept salesman of ethical drugs. *Sharon And Elsie* may prove worth watching for the sake of Birgit Forsyth's timing as she plays the bossy old hand in the office of a printing works.

Most promising of the sitcoms is *Ever Decreasing Circles* in which Richard Briers gives a splendidly loathesome portrayal *of homo surburbus at his most* irritating; Martin is one of those men who run the residents' association, the cricket club, and the protest group and never imagine that others may be less enthusiastic. There is one wholly incredible assumption at the heart of Esmonde and Larbey's situation: that a woman as charming and intelligent as the character played by Penelope Wilton would ever marry a person as infuriating as Martin—but in sitcoms such incongruities seem unimportant.

The Steam Video Company looks (and sounds—lots of puns and old jokes) like a radio series at which somebody has pointed a camera. Yet there is something oddly endearing about the way that the old hands such as William Franklyn, Bob Todd and Barry Cryer grin winningly from beyond *the patina of their material to* appeal to the audience's indulgence.

Berlin CO/Barbican Hall

Dominic Gill

The Berlin Chamber Orchestra from East Berlin are one of the few orchestras anywhere today who adopt the pre-19th-century practice of standing while performing (cellos, naturally, excepted). No one would suggest that 18th-century music can only be performed properly in contemporary physical attitudes: but there is no doubt that standing, for string players especially, has its advantages—not least the greater expressive freedom allowed to the body and thus to the bowing arm, and the much greater ease of sound projection.

The Berliners devoted their first half to Mozart. Simply playing the A major symphony K201 with correctly sized forces —pairs only of horns and oboes, three cellos and one bass, a dozen only of the upper strings—gave their performance an unusual and exhilarating clarity; for anyone unfamiliar with authentic Mozartean scale, the very density and excitement of the finale's counterpoint is a revelation. The playing was not always of the highest technical polish: but it had a freshness, *intimacy, gaiety and relish that* was ample compensation.

The Russian Dmitri Alexeev was the soloist in the A major piano concerto K414. In this age of precious Mozart, it was a sublime relief to hear him give K414 entirely and luminously without preciousness—but *with perfect concentration* and poise, simple, artful and eloquent. Alexeev is a pianist who listens: his fully pedalled sonority in the opening pages was a little too ripe to match the timbres of the chamber band, and he modified it instantly. *His* andante was a paradigm of refinement, alive with colour, delicate but taut. The opportunity to hear his solo recital at the Wigmore Hall next Saturday week should not be missed.

The orchestra proceeded, under their leader-director *Heinz Schunk, to Bach: a fast* and slightly ragged but irrepressibly good humoured (and unfailingly intelligent) account of the third Brandenburg Concerto; and thence, with similar enthusiasm, to Britten's Simple Symphony.

Architecture/Gillian Darley

The Industrial Revolution re-visited

A modern business searching for a location may well be torn between the competing attractions of, for example, motorway access, financial inducements, city-centre convenience, or availability of a suitable workforce. The 18th century entrepreneur, by contrast, had no such choice—a *source of power was his single* decisive need. Thus, when Samuel Greg came to Styal, near Wilmslow in Cheshire, he was attracted by the River Bollin and a site which allowed him to harness it as the power supply for his cotton spinning mill, one of the first generation of textile mills in the north west. In 1784 the Quarry Bank mill became operational.

It was, in fact, that site that suggested the future for the mill. The beauty of its setting, in a steep thickly wooded valley, as well as its accessibility from Manchester, made *it an attractive* gift when Alec Greg handed it over to the National Trust in 1939. He presented not only the mill itself, but Styal village, one of the earliest industrial colonies, and 250 acres of land. The mill ceased production in 1959, having grown from the original late 18th century classically-styled spinning mill into a sizeable complex of weaving sheds, warehouses and offices by the mid 19th century.

1784 was a good year to set up a cotton spinning enterprise for it was also the year in which the first bales of cotton arrived at Liverpool from the southern states of America—following the cessation of hostilities in the War of Independence—and with that a rich supply opened up. Those first bales were impounded by a customs officer unable to believe that they had in fact come from America. Later the Greg empire took 5 per cent of all cotton imported into this country.

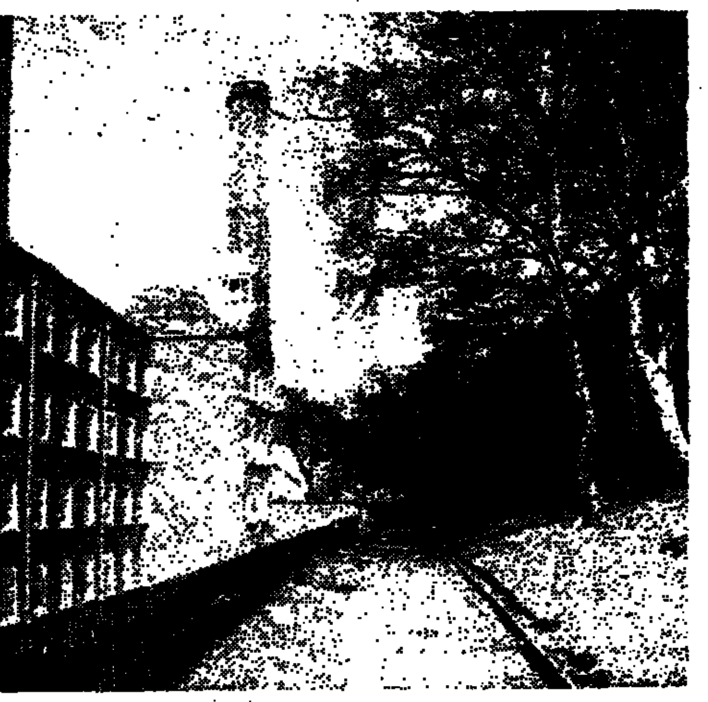
In this bicentenary year for Quarry Bank Mill, the independent charitable trust which was set up in 1978 to develop the site as a working museum and study centre is using its history imaginatively as a peg for their activities — in particular the launching of an appeal for £350,000 to complete the project at Styal. Probably the most spectacular event will be the re-enactment of the shipment of cotton from America to Liverpool, on a square rigged ship, its transfer to the Bridgewater Canal as far as Greg's warehouse at Altrincham, and finally its arrival at Quarry Bank by horse and dray.

In concrete terms, the most ambitious part of the development scheme is the rebuilding of a vast iron water wheel in the cavernous wheel chamber. The original wheel, installed in 1818 and generating 100 horse power, was an unprecedented engineering feat; in 1904 it was replaced by a turbine and the wheel being reinstated *now* is a slightly later model, dating from 1850 and designed by William Fairbairn. £35,000 of the Appeal funds will go towards the completion of this spectacular rebuilding—when complete the wheel will contribute to the powering of the mill looms which now produce calico for sale. The restoration of the Apprentice House is also planned.

Quarry Bank Mill, backed by the attraction of the wood*land* and village, is one of a new generation of museums—following the path so successfully taken at Ironbridge Gorge. The museum is there, not merely as frozen history, but to demonstrate, and where possible function, within its original role. Of course, the approach has its weaknesses. The presentation of working life in the early days of the Industrial Revolution has to be shown truthfully, warts and all. There is an alarming tendency at the moment to hand-tint the past—if an illustration is needed the resort to façadism in architecture is one version of that distortion. At Quarry Bank a visit to the loom sheds, where calico is woven for sale, goes some way to disabuse the visitor of any nostalgia—the noise levels at least give an accurate picture, and by magnifying those many times the scene is set for the loom sheds where literally hundreds of these machines were operated in a single space.

At Styal there has been, too, an attempt to show the modern *face of the textile industry*, but actual advances in the shape of new technology could be more illuminatingly shown—an exciting display might be an appropriate donation from the industry itself to the museum?

As well as the development of the museum functions, in the widest sense, the Quarry Bank *Mill* Development Trust has other objectives too. The use of the building for meetings and conferences is one obvious area and the notably excellent restaurant has already begun to build on its successes. Styal has the advantage of making up a part of a "tourist belt" south of Manchester and is already attracting a good public. Nevertheless, the woodland and the pleasant architecture, the well designed displays and the cheerful people who work in the loom shops should not entirely distract the visiting public. The fashion industry is still underpinned by a netherworld of outworkers and sweatshops and it is well to remember that while applauding history well told—and conveyed—at Styal.


Quarry Bank Mill, Styal, Cheshire

Verdi's rivals make a comeback

William Weaver reports on a revival in Naples of 'Crispino' by the Ricci brothers

Ask a well informed opera-goer to name a dozen Italian operas written by composers *other than* Verdi between 1842 (the year of *Nabucco*, the beginning of Verdian domination) and 1893 (*Falstaff*, the conclusion of Verdi's active career in the theatre). The victim will probably begin gamely with *La gioconda, Mefistofele,* and *Cavalleria rusticana*. He might then think of Catalani's *La Wally* (which, from 1892, just gets in under the wire). If he is canny, he will add Puccini's trial flights, *Le Villi* and *Edgar*. But then he is likely to start scratching his head. Of course, many composers wrote operas in the second half of the last century, and those operas were produced, sometimes with success. But by the early years of our own century, as the tidal wave of *verismo* was sweeping through opera theatres, the *earlier repertory — except for* the major Verdi materpieces—was almost totally submerged. Verdi revival has resuscitated the fascinating, less familiar operas of the master, there are increasing signs of interest in his neglected contemporaries. A few years ago in Turin, a radio performance of Ponchielli's *I lituani* suggested that this composer was not, as had been thought, a one-opera figure.

Now the Teatro San Carlo in Naples—in collaboration with the Teatro La Fenice of Venice—has mounted a brilliant production of another, long-forgotten work by Verdi's contemporaries, the brothers Luigi and Federico Ricci. This collaboration between Italy's two most beautiful houses is singularly appropriate. The Riccis were Neapolitans born and bred (and students at the conservatory that produced Bellini, Mercadante, and dozens of other important artists); but their most popular opera, *Crispino*, was first given in Venice, in 1850, at the Teatro San Benedetto, also known as the Teatro Gallo (its then manager Toni Gallo was a friend of Verdi's and, later, impresario of the successful second production of *La traviata*). The future librettist of *La traviata*, Francesco Maria Piave, supplied the text for *Crispino*, a buoyant comedy derived from a Neapolitan dialect play *Il ciabattino e la morte* by Filippo Cammarano, written at the end of the 18th century and, in *its* turn, based on a popular legend.

In the course of the 19th century, *Crispino* was widely performed; in Naples it was back-translated into dialect; and for some time, apparently, the title role at least was sung in Neapolitan, if the baritone could manage it.

So it was in this San Carlo production, in which the Crispino of Silvano Pagliuca was perceptively (and amusingly) conceived. The setting remained Venice — simply, effectively designed by Mauro Carosi — and the rest of the cast sung in Italian. But the staging, by Roberto De Simone, had an unmistakable Parthenopean flair and verve. Now the artistic director of the San Carlo, De Simone is one of the most intelligent and inventive figures in contemporary Italian theatre. Without forcing or traducing the opera, he turned it into a delightful *festa*, inserting at one point a "cantastorie," a ballad-singer, *who strolled through the* stalls, with two musicians (mandolin and guitar) and bearers of Japanese lanterns, singing stanzas that referred to Crispino's story. At a later moment, during a scene-change, the conductor (the tasteful, controlled Eduardo Muller) donned a top hat and, with the orchestra's pianist (a pretty girl also top-hatted for this bit), played a four-hand arrangement of a preceding orchestral passage. These interpolations inevitably extended the playing-time of the opera (and so this reviewer had to miss some of the last act, to catch an inexorable train), but did not lessen the enjoyment or dilute the mood.

The Riccis' opera is a conservative work; it harks back to Donizetti (and, in particular, to *L'elisir d'amore*) more than it anticipates *Falstaff;* the humour is not broad, however, and Muller paced the performance perfectly, allowing space for the strain of tenderness beneath the comedy. The Naples orchestra played well for him; and the chorus (the male section only is required by the score) was in good form.

The cast was mostly young, but not untried. Besides Pagliuca, as Crispino the cobbler-turned-quack, the basso Simone Alaimo, as the real physician Fabrizio, was elegant, *fresh-voiced*. In the coloratura part of Annetta, Lucia Aliberti sang sweetly (though listeners familiar with the Sutherland recording of the big aria "Io non sono più l'Annetta" missed the fireworks). The "cantastorie" Pino Di Vittorio, a dulcet tenor, was affecting.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

February 3-9

Theatre

LONDON

Hay Fever (Queen's): Penelope Keith is more "right" for Judith Bliss than were either Edith Evans or Celia Johnson. She is very funny, winsomely autocratic, distracted. The supporting actors roll over without protest. (734 1166).

Pack of Lies (Lyric): Judi Dench in a decent, enthralling play about the breaking of a spy ring in the suburban Ruislip of 1959-60. Hugh Whitemore's script cleverly constructs a drama about betrayal from the friendship of neighbours. The story is based on fact and well directed by Clifford Williams. (437 3686).

The Real Thing (Strand): Susan Penhaligon and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143)

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a clifftop rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592)

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888)

Little Shop of Horrors (Comedy): Tawdry, camp musical based on a 1960 Roger Corman B-movie about a man-eating plant which revives the fortunes of a Skid Row flower shop. *The 1950s pastiche is a bit wan, but* the lyrics sharp. The plant grows from cactus-like vulva to piscatorial, blues-singing peach. Ellen Greene repeats her off-Broadway performance which is something like Fenella Fielding only blonde and way over the top (930 2578)

NEW YORK

Cats (Winter Garden): Still a sellout. Trevor Nunn's production of T. S. Eliot children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262)

La Cage aux Folles (Palace): Perhaps *this season's outstanding musical* comes, like Evita and Cats before it, at the very beginning of the theatrical year. Despite stellar names such as Harvey Fierstein writing the book and Jerry Herman the music, the best parts of the show are not the hoopla, apart from the first-act finale a la Gaité Parisienne, but the intimate moments borrowed direct from the film. (757 2626)

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020)

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450)

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200)

Nine (46th St): Two dozen women surround Sergio Franchi in this Tony-award winning musical version of the Fellini film 8½, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (246 0246)

On Your Toes (Virginia): Galina Panova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rogers and Hart's 1936 sendup of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370)

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscence now that the Nederlander organization generously decided to name the theatre after the generation's outstanding box office draw. (757 8646)

CHICAGO

Glengarry Glen Ross (Goodman Studio): Gregory Mosher directs David Mamet's story of Chicago real estate dealers which premiered at the National Theatre in London. Here the cast includes Mike Nussbaum, Joe Mantegna, James Tolkan and J.T. Walsh. Ends Feb 26 (443 3800).

E. R. (Forum): *Moving into its second* year parodying melodrama in a hospital setting, this emergency room continues its adventures among a young doctor, a receptionist and an authoritarian nurse. (496 3000)

Candida (Goodman Mainstage): Munson Hicks, better known as an actor, adds Shaw's jaundiced view of a minister's marriage to his list of directing credits. Ends Feb 19. (443 3800)

WASHINGTON

Beyond Therapy (Kreeger): Christopher Durang's romantic comedy has all the elements of modern singles life including meeting through the personals column of a newspaper and a scene in a hip restaurant, but *it reflects more than explores the* shallowness of a surfeit of choices. Arena Stage (488 3300)

Woman of the Year (Opera House): Lauren Bacall plays an overbearing, ambitious woman in this thin musical that was a Tony winner in a bad year on Broadway. Ends Feb 12. Kennedy Center (254 3770)

Lyndon (Eisenhower): *Jack Klugman* stars as the colorful Texas president in a solo show written by James Prideaux based on Merle Miller's book about Johnson. Ends Feb 19. Kennedy Center (254 3670)

The School for Scandal (Folger): With Dawn Spare as Lady Teazle and Lilene Mansell as Lady Sneerwell, Sheridan's "delicacy of hint and mellowness of sneer" comes to give inspiration close to the nation's Capitol in a production directed by Allen R Belknap (546 4000).

TECHNOLOGY

EDITED BY ALAN CANE

IBM LAUNCHES CHINESE STYLE COMPUTER

Enter the dragon

BY BOB KING IN TAIPEI

THROUGHOUT ASIA, businessmen interested in computerising their operations face a major barrier — how to input ideographic languages into computers that function best when fed standard, western-style romanised characters.

A microcomputer recently announced by IBM, coupled with locally-developed software, shows a strong chance of overcoming that barrier.

In Chinese-speaking countries such as Taiwan, China, Singapore, and, to some extent, Malaysia, the problem is formidable, because the sheer number of ideographic characters in common use, plus their complexity, puts a severe strain both on hardware memory and on the operators who must use the system.

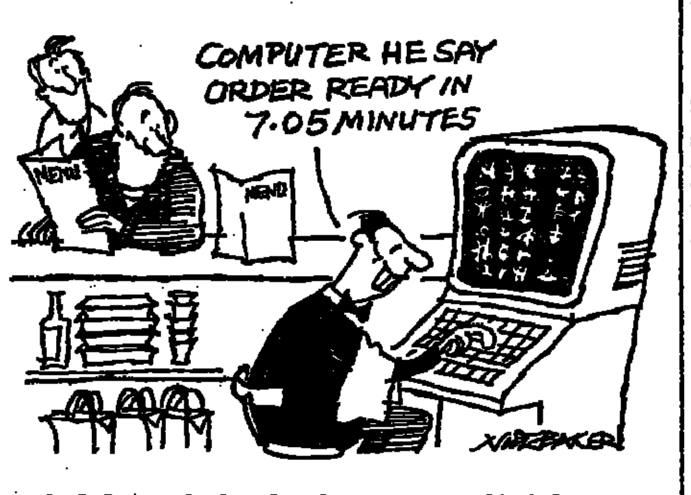
The problem of computerising Chinese has spawned literally dozens of competing input/output systems: some use a huge keyboard, containing thousands of discrete characters; others use a component approach, breaking down the individual character into its various parts, which the developers claim makes the keyboard more accessible to the occasional user. The controversy has raged for the past few years over whose system is the best all-round with no solution in sight.

Enter IBM, with a 16-bit micro combining strong computing power with a Taiwan-developed system that its inventor claims any Chinese speaker can learn within a few days. The IBM name plus the three years of market exposure which the system has had in Taiwan, could help sell the system in other Chinese-speaking parts of the world should the firm decide to export the machine.

IBM has combined its 5550 stand-alone, multi-station micro with the so-called "Dragon" input system, developed by Taiwan inventor Chu Bang-Fu after eight years of research.

IBM developed the 5550 specifically for ideographic systems, and in fact introduced it first in Japan, where a few thousand Chinese characters are used in conjunction with a set of phonetic symbols.

The "Dragon" system is unusual because it is able to input directly more than 20,000 Chinese characters using the standard Qwerty keyboard and without resorting to phonetic equivalents or numerical codes.



The Dragon system arranges the approximately 240 characters-components into 24 groups, each represented by a symbol that resembles all the group's components. In Mr Chu's version, read-only memory software then translates the symbols typed by the operator into the appropriate components and assembles the character. If a given set of symbols can generate several characters, the computer displays them all and asks the operator to choose the appropriate one.

Unlike Mr Chu's design, though, the 5550 stores character fonts on diskette, from where they are loaded into random-access memory. According to the company, this results in better resolution and allows the user to create new characters at will, rather than tying him to a format mapped in read-only memory.

The IBM package offers 11,000 characters on diskette, more than enough for most applications, plus the ability to create more in graphics mode. Later releases will expand the character set, the company says.

The mainstay of the 5550 is the microset disk-operating system (MS-DOS), likely to become the 16-bit industry standard. It supports a two-byte-per-character design needed for ideographic scripts such as Chinese and Thai. The company would not comment on the possibility of introducing the machine in countries where other ideographic scripts are used, but personnel admitted the machine "could support" such scripts, as well as the simplified Chinese characters in use in nations such as Singapore and China.

> Enter IBM, with a 16-bit metro and a Taiwan-developed system which its inventor claims any Chinese speaker can learn within a few days.

Applications software represents the system's greatest shortcoming at present. When introduced, the 5550 offered only a Chinese version of Multiplan. IBM says independent software houses here are hard at work developing Chinese word-processing software, a file management system, and other specialised software, as well as modifying existing packages to run on the machine.

Depending on disk-configura- and memory-size, the 5550 sells in Taiwan for the equivalent of U.S.$9,500 to $12,500 including a 40-character-per-second, high-resolution dot-matrix printer.

The company is converting English-language programs now available for the IBM personal computer to allow them to run on the 5550, thus making the machine bi-lingual.

OFFICE SYSTEMS

How Datapoint takes its own medicine

BY ELAINE WILLIAMS

SURROUNDED BY muddy building sites and half constructed roads in the north west London suburb of Neasden is an example of one of the most automated offices in Britain.

It is Datapoint, one of the leading data processing companies which has invested more than £750,000 setting up its own electronic office.

Datapoint decided that if it was in the business of selling the automated office, it should be at the forefront of its use in running its own business. As Colin Timson, the company's management information services manager, put it: "We don't expect our customers to buy something that we are not prepared to use ourselves."

What allows office integration is the company's ARCNET local area network. This connects all the terminals, printers, computers, memory storage and even the internal telephone system together by a coaxial cable. Local area networks are rather like the ring mains in the home and usually serve a single building. Data is addressed and posted around the cable until it reaches the right destination.

Information which is carried by the cable is coded in such a way that only the workstation or device to which it is addressed receives the data. In this way many workstations can share expensive resources such as printers and data banks.

The company already has more than 150 workstations at its London headquarters which carry out a variety of functions from word processing to electronic mail and messages services, management information, personnel records and an integrated telex system which allows telexes to be sent from any computer work station.

A further 40 workstations a mile down the road at its southern sales headquarters are connected by a leased telephone line into the system, as is the Lichfield office in Staffordshire. This allows electronic mail between these locations, too.

The six other Datapoint sites in the UK—which all have networking in various degrees—is likely to join the main system in the next few months.

The network has been built up over the past three years. About 13 senior managers use the system for modelling and forecasting using colour business graphics. Soon the company will begin to prepare its sales forecasts for the coming year. Managers can transmit information freely between one another using the system.

Mr Brian Gifford, Datapoint's UK managing director, says that Britain's companies have a long way to go in terms of office automation especially at senior management level. "Growth in the market will be enormous once management embraces the automation concept. But in practice, the potential of office automation as a management tool and an aid to productivity is widely ignored at senior levels," he said.

This is why Datapoint has recently held an open day for senior executives of major companies to see how office automation works in practice. They were able to talk about the problems and benefits to managers at the headquarters who have faced the problems of unfamiliarity with keyboards and apprehension at using machines.

Datapoint's marketing communications manager, Alan Watson, pointed out that the low level of capital investment in the office between 1979 and 1982 resulted in a mere 4 per cent increase in productivity among office workers against 30 per cent among blue collar workers and 120 per cent in agriculture.

Mr Gifford explained that workstations—which require a total investment of about £5,000 each—were only installed at Datapoint if there was a cost justification in terms of increased productivity. At Datapoint productivity has shown an improvement of 30 per cent in four years while staff has increased by only 4 per cent in the same period. In the marketing department, secretaries have saved 30 per cent of time, and managers 10 per cent, to do other work.

One of Datapoint's customers which has taken office automation to heart is the Ministry of Defence in London. Its network is already larger than Datapoint's own and it is so pleased with its system that it is about to place a second large order to expand the network further.

AUTOMATIC PAYMENT

Texaco moves to electronic payments

The first Hugin AutoTank 24-hour credit card activated payment system in the UK with Texaco.

WALKING BACK and forth from car to kiosk and fiddling about with cash or with credit card imprinters and vouchers have become things of the past at a Texaco Supreme filling station in Winnersh, near Reading, where a system called "Pinpoint" has come into action.

Instead, the customer inserts his Barclaycard into a slot on the pump and then follows some simple instructions on a small screen, asking him to key in his PIN (personal identification number). He fills up the car in the normal way and can get a printed receipt if he wants one simply by inserting his card a second time.

A particular advantage is that, since no cashier is involved, the filling station can be open throughout the night. The need to carry £10 to £20 of cash for petrol vanishes and the customer has the usual advantage of delayed payment via his card. Furthermore, the time each motorist spends on the forecourt is greatly reduced, cutting queues at busy times.

The Hugin AutoTank system has been used in which transaction data is stored on cassette for 24 hours and is then sent by phone line to the card company.

At the same time, details of any "hot" cards (stolen, out of date, or depleted funds) are fed back to a memory at the filling station to prevent improper transactions — such cards are simply returned to the user.

Cash facilities will still be possible for those who want them.

Texaco says that if customer reaction to the Winnersh experiment is favourable, it is likely that such systems will be employed at other of their 1.800 sites.

GEOFFREY CHARLISH

HYGIENE

High tech pool cleaning

A TWO-YEAR-OLD company called Tarn-Pure has developed a product for swimming pool purification which leaves no eye or skin irritants in the water—a common cause of complaint with chlorination processes.

An electrolytic cell containing electrodes of a silver/copper alloy is installed in the pumping circuit of the pool. When a direct voltage of up to 32 volts is applied, silver and copper ions are released in known proportions.

Communications

Computer networks

LDR Systems of Aldershot has obtained a grant of £0.244m from the Department of Trade and Industry for the continuing development of a computer networking product called Isonet.

The product conforms to "open systems interconnect" principles established by the International Standards Organisation and also to the DTI "Intercept" requirements for the interconnection of computing equipment from different makers.

Isonet will support a session service between two users communicating across a local area network. It also enables those same users to communicate, across a wide area network using X25 public or private packet switching, with the users of a remote LAN.

The product is currently being enhanced to provide support for electronic messaging, distributed database and teletex, the planned higher speed alternative to the telex network. More on 0252 331666.

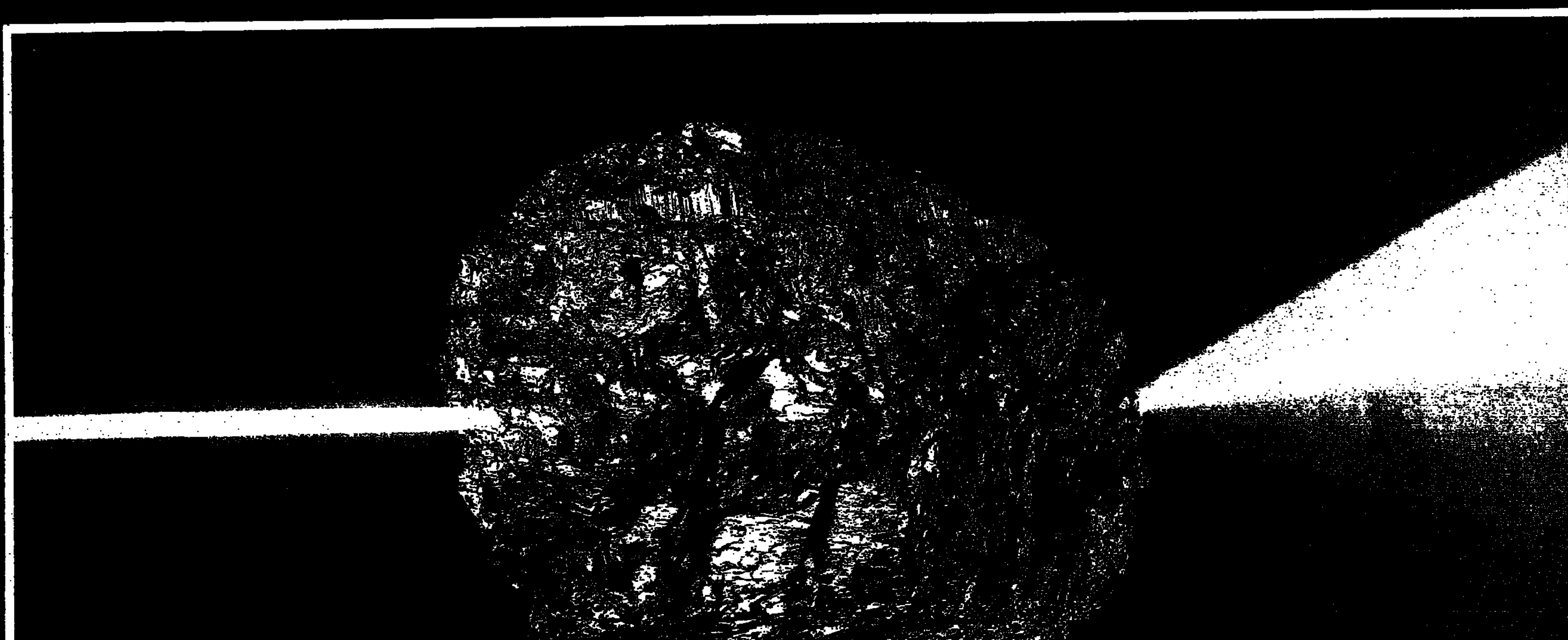
Printer

Ink jets

RIVA TERMINALS of Woking can offer the Sieme[illegible] PT 88i ink jet printer su[illegible]ably configured to work from the IBM personal computer.

The printer can operate either as a high performance matrix type or in the ink jet mode in which minute droplets of ink are deflected electrostatically to form characters on the paper. The speed then rises to 150 characters/sec and the noise level is much lower.

There are already 20,000 PT 88i units installed worldwide. The price of the reconfigured machine is £595. More on 04862 71001.



LEICESTERSHIRE — FINANCIAL TIMES REPORT

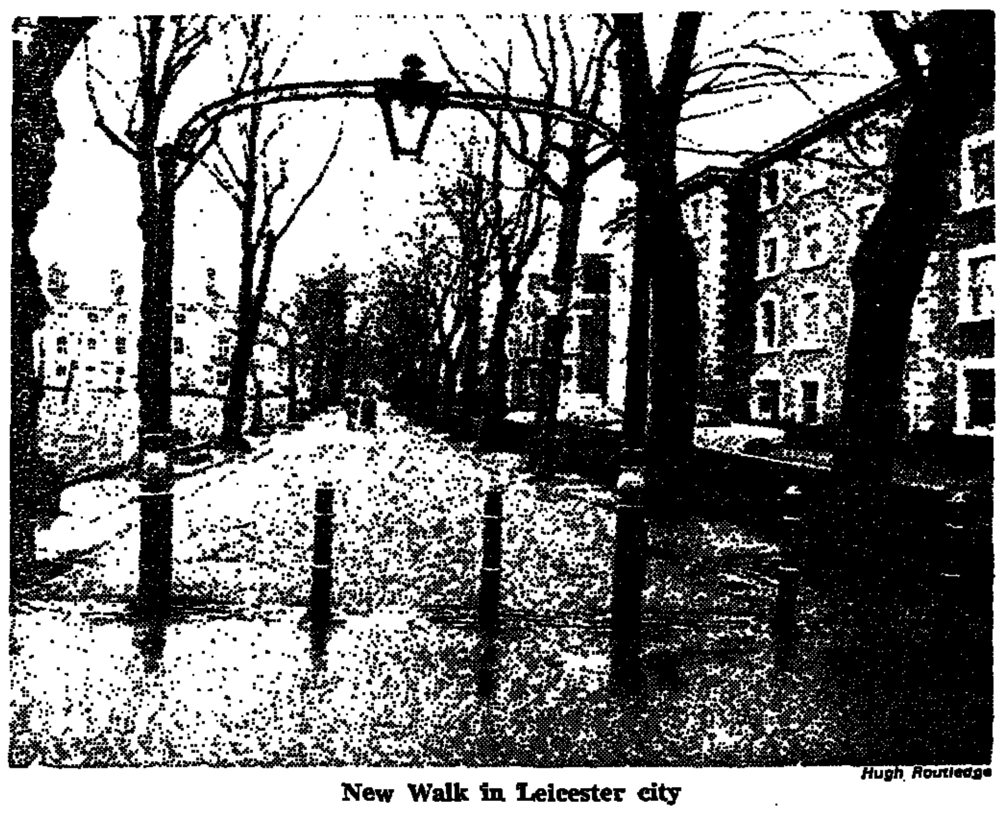
Although the county's dependence on traditional industries is causing concern, economic activity appears to be quickening and the unemployment rate remains among the lowest in the country

Preparing for a metamorphosis

EVEN Leicestershire—a county with a diverse economy and expanding population and currently enjoying prosperity—*spotlights the problem of rising* unemployment into the 1990s.

An assessment of the local economy, on which the review now underway of the county structure plan is based, pulls no punches: "During the next decade Leicestershire's economy *will* undergo a metamorphosis. Major industries will decline and some new but smaller sectors will grow. Jobs will be lost and it is unlikely that enough new jobs will be generated by economic forces to replace them."

On the challenge posed by such a prospect the county council is equally realistic: "We could talk of attractive economic strategies but this would be misleading. The scale of the problem is so great and our tools of remedy so limited that *we do not* have the luxury of alternatives."



Hugh Routledge

New Walk in Leicester city

Shakeout

To put the issues into perspective, however, it should be noted that the overall level of *unemployment in Leicestershire*, despite the shakeout in manufacturing industry in recent years, still remains below the national average. It varies across the county from less than 5 per cent in Leicester's inner city areas but none the less *averages around* 10 per cent.

A whole range of initiatives have been taken by agencies throughout the county to stimulate economic activity. The county council alone claims that "on a conservative estimate" its schemes over the past 12 months have been *instrumental* in the creation or saving of more than 1,500 jobs. Many other companies, it says, have been helped directly with relocation, in overcoming business problems and in identifying new opportunities.

Co-operation between the city and county councils, both of which are now Labour-controlled, is good. While Labour has enjoyed its share of power in the city over the years it did not take the county until 1982.

The county elections of the previous year—the period before the Falklands conflict when Mrs Thatcher's popularity was sliding—gave the Conservatives 44 seats and Labour 43. For almost the first 12 months the three Liberals on the council allowed the Conservatives to take control but subsequently swung their support behind Labour.

While some encouragement is taken from the recent apparent quickening of economic activity, there is concern at the county's continued dependence on traditional industries. Textiles and hosiery, with 45,000 workers, and mechanical engineering, with 24,000, are still major employers.

These *sectors*, together with footwear, have been hard hit by the latest recession and proved vulnerable to low-cost imports and a high exchange rate and interest charges.

Investment has tended to hold up in traditional industries *but they often suffer from the* constraint of old factories ill-suited to modern production and transport systems.

Hopes that the development of the Ridge coalfields in the Vale of Belvoir in north east Leicestershire would help to *absorb labour from the declining* pits, are receding.

Of the more than 4,000 jobs scheduled to be phased out in north west Leicestershire centred upon Coalville during the 1980s nearly 1,000 have already disappeared. While the National Coal Board has promised to offer alternative employment in the Vale of Belvoir it will be some time before the jobs become available. Construction work is expected to start this year, but it will be eight years before the 1,100 mining jobs are required at the Asfordby pit head.

The long anticipated employment problems around the Coalville area have been exacerbated by both the acceleration in the programme of pit closures coupled with delays in the start of the Vale of Belvoir projects.

The economic report to the structure plan argues that Leicestershire is not well represented in the new industries such as microprocessors, energy systems, automated production and communications technology.

"This is not to deny that there are examples of companies in all these fields in the county, and many of them are doing extremely well despite the recession," it adds. The difficulty is that they start from *such a small base that they are* unlikely to resolve the unemployment problem on its present scale.

Nevertheless, efforts are being made to attract the high technology industries. Important for this are the links being *established between industry* and Leicester University, the Polytechnic and Loughborough University.

Leicestershire has long been noted for the broad range of its small industries and the quality of its workforce. The good industrial relations in the county is recognised as a key selling point to new industry.

But the economic report puts qualifications on the importance of small firms, pointing out that local and national studies have shown recently that the potential for the sector to provide large numbers of new jobs is commonly exaggerated.

Moreover, inquiries received by both the Leicestershire Small Firms Centre and the Department of Industry Small Firms Service tended to be concentrated in the service sector, with few of the manufacturing queries relating to products involving technical innovation.

During the recession small firms have proved particularly vulnerable and the failure rate among new businesses has been particularly high.

The service sector has been the principal source of new jobs in recent years but the county still has a lower proportion — 56 per cent — of such employment than the national average. While further growth is expected it cannot be on the scale seen in the 1960s and early 1970s.

Indeed the impact of new technology on office jobs is seen as a major constraint. The economic report suggests that the effect of recession on local firms has "laid bare a structural change wherein manufacturing industries are demanning their production systems." Some service industries show increasing signs of following the same path.

Retailing and distribution, *however, is seen as a potentially* buoyant sector. Changes in the pattern of retailing, with new shopping centres, discount warehouses and catalogue showrooms, are expected to create new jobs.

Similarly, transport and wholesaling activities are expected to show growth despite the scope for further mechanisation and automation. New investment is already taking place and inquiries about further expansion are high.

Clearly, the performance of the service sector depends upon the strength of recovery in both the local and national economy. But one area where Leicestershire has so far failed to get its share of new business is in banking and insurance. Efforts continue to encourage the relocation to the county of such operations.

Tourism is another market upon which the county has set its sights. The East Midlands, against the national trend, continued to increase income from tourism in 1982 to £200m, of which Leicestershire claimed £32.8m.

Holidays

The East Midlands Tourist Board estimates that spending will continue to grow over the next decade and beyond. Leicestershire believes its *strength lies in* attracting overseas visitors and in domestic short-break holidays.

Foreign tourists already account for more than 26 per cent of the visitors to the county — a statistic that is thought to reflect promotions by the city and county councils and strong twinning links with areas such as the Saarland.

But for all the initiatives under way an planned there is a mood of realism in Leicestershire. The county, one of the economic success stories of post-war Britain, knows that for all the efforts at self-help far wider constraints are imposed by a weak domestic economy and mounting international competition.

Gone is the optimism of earlier structure plans. The economic assumptions underlying the latest plan which will go out for public examination late this year or early next are stated bluntly: "When all has been done to encourage the creation of new firms, the maintenance and expansion of existing ones and the attraction of new companies, a substantial unemployment problem will remain."

The prospect of high long-term unemployment continuing into the 1990s is acknowledged. "The *fundamental point* to appreciate is that this is essentially a social problem. It seems that our economy will in future be capable of operating at a high level of output without requiring the services of all those who would like to work."

Leicestershire sums up the issue in a sentence: "There is a surplus of people over jobs."

Arthur Smith

Developments at universities improve area's potential

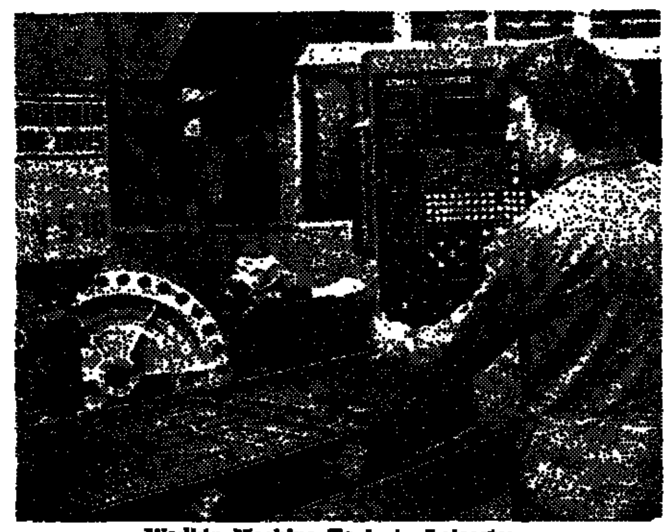
Industrial output increasing

ALTHOUGH Leicestershire has seen considerable contraction in two of its traditional industries, textiles and footwear, over the past two years, industry as a whole has recovered significantly in recent months.

This has not been reflected in large numbers of new jobs—and no one expects anything like full employment in the foreseeable future—but a significant number of companies are now increasing their output and taking on small numbers of workers.

Leicestershire has an unemployment rate of 10.8 per cent, but this varies widely around the county. The figure for the city of Leicester is 11.2 per cent and Hinckley has an 11.5 per cent rate, partly because of its close links with the West Midlands motor industry and textiles.

Melton Mowbray also has a relatively high rate (11.2 per cent) but in other parts of the county such as Loughborough (8.0) and Market Harborough (5.4) the figures are well below the national average.



Wadkin Machine Tools in Leicester.

Improvement

Major companies remain a mainstay of employment with GEC at Wetstone, Rolls-Royce at Mount Sorrel and British United Shoe Machinery, at Leicester and Brush Electrical, part of Hawker Siddeley, at Loughborough. Most of these have seen improvement in the past few months, although GEC has recently announced redundancies.

Mr Mike Gwilliam, assistant director for economic development at the county council, is surprised and pleased at the improvement experienced in the industrial sector. He says some footwear and textiles companies are doing surprisingly well, partly as a result of the more favourable exchange rate against the dollar.

Finished clothing companies appear to be doing particularly well, says Mr Gwilliam. A recent survey by the council showed that unemployment in both these industries is falling, although it is still rising in engineering.

At Coalville, where four mines are due to be closed within three years, there is growing concern about future employment. The recent announcement that around £400m in government money would be invested in a new pit as Asfordby has been greeted with relief. This is the first phase of the Belvoir development which is likely to lead to more new pits later.

Around 2m tonnes of coal a year will be produced at Asfordby when the pit becomes fully operational in the 1990s, creating around 1,200 jobs, but at least 5,000 miners are likely to become redundant before then.

The council is therefore encouraged that local companies such as United Biscuits, which employs around 2,000 people, and the toys and games company Palitoy, are doing well. Although many of the medium-sized engineering companies in the area are having a difficult time, the growth of high technology concerns such as Transmitton at Ashby, which manufactures energy control systems, is regarded as encouraging.

At Hinckley the county council and the district council are making special efforts to ease unemployment. Small industrial units have been made available at Dodwells Bridge, attracting a considerable number of small companies employing between 30 and 40 people.

The major employers locally remain Sketchley, the dry cleaning company, and Burgess Products, while the proximity of the M69 motorway is seen as a key factor in attracting more industry.

In promoting areas of the country, the county and district councils are working increasingly closely in an attempt to eliminate duplication and sharing expenses on promotional projects.

Loughborough is regarded as one of the strongest local economies in the county, due partly to the strong technology base which is provided by Loughborough University and the technical college.

The area has a diverse range of industry and its growth potential is being assisted by developments connected with the university. For example, a technology centre is being constructed alongside the campus where technology related companies will work closely with university departments.

There are also important plans at Leicester University for the establishment of a biotechnology centre, which is expected to be funded largely by five participating companies, Dalgety, Gallaher, Whitbread, John Brown Engineering and Distillers.

Mr Gwilliam says this project is being hailed as a model for future co-operation between industry and universities, and a new building is being funded to house it. Facilities are also being sought to provide off-campus space for the undertaking.

The overall movement of new companies into Leicestershire appears to be increasing, with inquiries running at a higher level. However, most industrial growth is being generated by companies inside the area wishing to expand.

According to the county council this covers a wide spectrum of activity, including clothing and textiles, plastics, electronics and engineering. The abundance of skilled labour available in the region is seen as a major attraction.

It is felt that Leicestershire has come out of the recession with considerably less damage than many parts of the country, mainly as a result of the diversity of its industry and the lack of concentration on heavy capital goods.

With one of the lowest unemployment rates in the country and some of the cheapest industrial space on offer, the county's ability to attract new industry would now seem to be enhanced. But there is a long way to go before anything like full recovery can be claimed.

Lorne Barling

LEICESTERSHIRE FINANCIAL TIMES REPORT

Lorne Barling looks at the latest trend in the property market

Little incentive for new office building


Offices to let in Charles Street

DEMAND for offices in Leicestershire has been poor in recent years. It is estimated that nearly 500,000 sq ft of space stands vacant, mainly in the city of Leicester, and little new building is taking place.

This surplus has built up over a fairly long period and is mainly in buildings which suffer from a lack of modern facilities, notably car-parking space, which is at a premium in the central city areas.

The office market in Leicester is somewhat fragmented, with three main areas differing considerably in character and rental values. The least popular area is on the city's inner ring road, where rents are as low as 50p per sq ft in some buildings, rising in others to around £1.25 per sq ft.

In the city centre, the retail area around Charles Street is more popular, with rents at around £1.85 per sq ft, and it is clear that landlords would do better if property was on the open market rather than occupied and reviewed to increased rents, according to local agents.

The third and most popular part of the city is around New Walk, a largely pedestrian area, where buildings are occupied by a large number of professional concerns. Rents here range from £2 to £2.50 per squ ft and upwards.

However, space in this somewhat exclusive section is limited and little can be done to increase the size of older buildings, with the result that demand exceeds supply.

As a result of this divided market, there is little incentive for new building, since there is little development land in the right place. Agents also say that rental values are far too low to justify investment in new blocks.

Mr Alan Wheelwright, of Andrew and Ashwell, says developers would need to see rentals of £4 to £6 being achieved before they could come anywhere near justifying the cost of new building.

On the other hand, it is suggested that there are some sites which could be made available if suitable owner-occupiers made it known that they intended to build in Leicester. Overall, it is felt that the city has not attracted many new office occupiers, particularly major administrative functions, due to the attractions of offices in surrounding countries.

In other parts of the county, there is only limited office development. Space in Oadby is being taken up fairly fast in two blocks, while there is said to be increasing demand for office space in Loughborough.

The private housing market in Leicestershire has become increasingly active in the past year according to a recent survey by the Leicester Building Society. "With forecasts of economic growth for the coming year and firm evidence that the employment figures are improving, there is more optimism and business confidence than there has been for some years past," it said.

This has encouraged more home-owners to consider trading up to higher value houses, and for more first-time buyers to enter the market. The society said there was an unusually strong resurgence of interest towards the end of last year.

However, this has not resulted in any sudden boom in house prices as happened in the 1970s. Sellers still outnumbered buyers in the prices between £27,500 and £40,000 and price increases, therefore, occurred only when a property had some unusually attractive feature.

Larger houses of character, particularly for country houses with an acre or two of land, were selling fairly readily.

"A dominant feature of the housing market continues to be the gulf between the prices of new houses and similar second-hand ones. There are obvious attractions of a new house. Buyers should be aware that a resale within a couple of years could result in an actual loss being suffered," the report warns.

Some vendors in the resale sector were possibly unduly influenced by the price of new houses in judging their asking price, with the result that they got involved in long negotiations only to find that agents' advice on the attainable price was correct.

"Despite the increased level of activity in the market as a whole, the overall increase in house prices during 1983 has been a relatively modest one of around 10 per cent, and this following two years of very little growth.

"With a continuing strong demand for mortgages, it is possible that by the middle of the year much of the slack at present in the market will be taken up and prices will be moving ahead more strongly," the report concludes.

Housing development in the country can therefore be expected to pick up again shortly after a slight dip in the latter part of last year, with considerable benefit to employment.

This is expected to be concentrated around Leicester and other growth areas of the country, such as Loughborough, and in areas where higher technology industries are attracting higher paid workers.

Brighter days ahead for industrial sector

SINCE THE start of the recession, the amount of vacant industrial space in Leicestershire has grown substantially. More recently, however, a series of lettings indicate the worst is over.

An estimated 4m sq ft of space is available in the county, much of it in older factories which have been vacated during the past two years by companies which have contracted or gone out of business.

Although rents have also fallen since 1981, there has been a steady demand for freehold industrial property by local companies with expansion plans. According to agents Andrew and Ashwell, property of this kind is now good value for money and companies are taking the opportunity to acquire capital assets at the right price.

Overall, the rate of development of industrial property by the private sector has been slow, but Leicestershire County Council has been active in providing smaller industrial premises, mainly to stimulate the growth of small businesses.

The council sees its role as complementing that of the private sector, not competing with it, and is satisfied from the rate of lettings at its many development projects that it is hitting the mark. So far there has been little private sector building of smaller premises, but it is hoped that this will follow.

Mr Alan Sawden, a partner at Andrew and Ashwell, says prices for modern industrial space in the county range from around £1.60 a sq ft to £2.25, the latter being for smaller units.

He says the main thrust of demand is for freehold premises, followed by small units in city centre areas, and then by the more modern units on the outskirts of Leicester itself, although these were only moderately popular.

He believes Leicester has weathered the property demand storm better than most cities, due to the diversity of local industry. Although little new building is taking place, there are several local companies with expansion plans.

A notable commercial building now on the market is the former Du Pont complex at Vaughan Way, Leicester, which comprises offices, warehouses and laboratories totalling nearly 44,000 sq ft. The asking price is £36,900 a year. It is available as a whole or in sections of 3,200 sq ft.

Although most of the complex is office space, it may be suitable for a high technology manufacturing company, particularly in the pharmaceutical field.

Demand for retail property has been strong in the last two years and rents have risen accordingly

The county council aims to provide a series of stepping-stone units of varying sizes for small companies from start up onwards.

Most of the smaller units are in inner city areas. An example is a former school which has been refurbished, divided into units and let at competitive rates on short-term leases.

In another project, a business manager is available to discuss day-to-day problems with tenant companies. In some schemes, central services such as secretarial assistance is provided on a fee basis, avoiding the overheads of full-time employment.

Stage two premises offered by the county are usually 600 sq ft to 2,500 sq ft in size. Again, they are usually in city centre areas. Rents are higher than those for small units, but generally they are below the normal commercial level.

The third stage of county council premises are more akin to normal commercial property, ranging in size from 1,000 sq ft to 3,000 sq ft, and are usually situated on the outskirts of major conurbations.

The council's development programme is widespread, covering a number of districts within the county, and almost all properties have been let. Three new projects are at drawing board stage and will be implemented in the coming year or so.

The programme is regarded as particularly important for the north-west area of Leicestershire, where progressive closures of coal mines is expected to create the need for more industrial premises, particularly small units for business start-ups.

Most of the buildings in the programme are wholly owned by the council, although some have been bought from developers after completion and are on leased sites.

Retail property in Leicester itself has been sustained in the past couple of years by strong consumer demand, and rents have moved upwards accordingly. A standard sized shop in the city centre area lets at around £50,000 a year. Such premises are hard to find, given the lack of development recently. Demand for retail property in other parts of the county has been weaker, however, and development remains at a fairly low level.

Like other cities, Leicester is facing the dilemma of retail developments being forced into the suburban areas through lack of parking facilities in the increasingly pedestrian central areas. For this reason there are fears that the central areas could suffer in the longer term.

In central Leicester there is little room for further retail development, except where older premises can be demolished and the sites redeveloped to provide more square footage.

Profiles of two Leicestershire-based companies: Invicta Plastics and Palma

Masterminding a more varied story

INVICTA PLASTICS the Leicestershire company associated with the Master Mind game which proved so successful in the 1970s, has had to come to terms recently with some severe problems, mainly related to the fickleness of the games market.

The high value of sterling, rising interest rates and the arrival of video games have all hit the popularity of Master Mind. As a result wholly owned subsidiaries in the U.S., Japan, Germany and Italy have had to be closed.

In the UK, violent destocking by games retailers in 1980 and 1981 also reduced sales of the game, with the result that the company had to think fast about how to broaden its activities away from such a successful product.

The company's UK workforce has been cut from 400 to 170. The 70 people employed overseas have also gone, and agents have been appointed to cover foreign markets.

Against this background, the company has identified children aged between three and six as one of the fastest growing markets in terms of games and educational toys and products.

It has also developed its Story Times book and audio-cassette series, which enables children to learn to read a book while it is read to them on a cassette. The stories are narrated by the actress Susan Hampshire, whose interest in the learning problems of children is well known.

A total of 200,000 were sold last year. As a result, a number of new ideas for use on cassette are being examined.

Around 80 per cent of the company's toys and games are exported, and it won a Queen's Award for Export Achievement in 1978.

Invicta Plastics is a divisionalised company.

The education division sells class-room aids internationally from the developed western world to the emerging countries. A joint venture is being formed with a company based in Saudi Arabia and the products of this division will form the base for this business.

Invicta's point of sales and display division supplies the lucrative advertising and sales promotion market. It has boomed through the recession as brand and product managers have had to increase spending to assist sales.

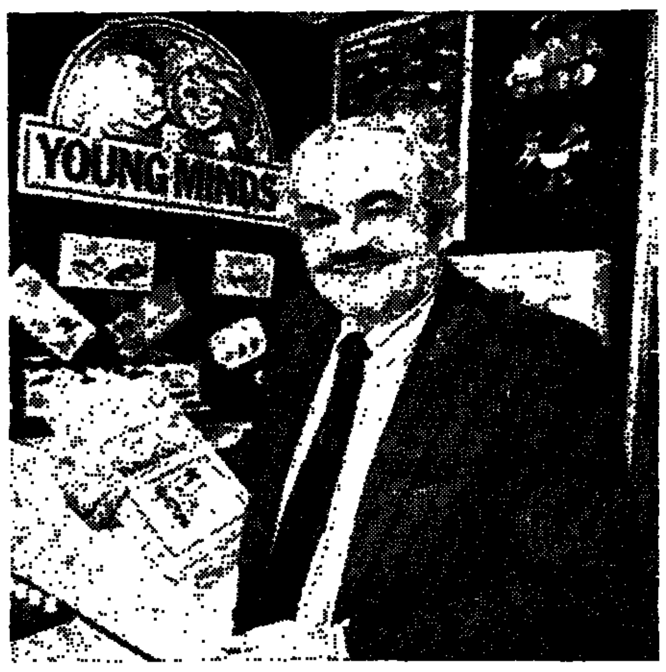
The industrial division supplies bespoke mouldings for a variety of industrial applications, exploiting the company's capability for manufacturing its own tools and moulds.

During the 1970s the company manufactured some 50m Master Mind games and it appears that the game's popularity could be rising again. "It's an evergreen game which has crossed almost every barrier, racial, cultural, political and religious, because it violates no ideals," Mr Ted Jones-Fenleigh, the managing director, says.

There are signs that boxed games are coming back into favour as the video games craze diminishes, says Mr Jones-Fenleigh. He says that as one of the market leaders, Master Mind is sure to benefit.

Overall, the company has had to develop new products rapidly to make up for the loss of momentum suffered from the problems of Master Mind. In the longer term this could prove to be an important benefit.

L. B.



Mr Ted Jones-Fenleigh, managing director, with one of his success stories

Making the most of Pex appeal

LATE LAST year the Leicestershire company Palma, owned by Mr Peter Bailey and his family, came to the stock market through a reverse takeover of the loss-making Montfort (Knitting Mills).

This ended four years of negotiations between the two companies and created a hosiery and knitwear group employing 1,300 people with a turnover of more than £20m and a net asset value of £9.4m

Palma supplies the Pex brand of socks and tights to Mothercare, Marks and Spencer and British Home Stores. About 40 per cent of its total output goes to major retailers of this kind.

Since the takeover the headquarters of the two companies have been combined on one site at Leicester and considerable rationalisation has taken place to maximise resources.

The takeover came after a difficult period for Palma. Demand for its products declined steeply at the start of the recession and it was decided to cut excess capacity rather than prices to remain profitable.

Mr Bailey says a conscious effort was made to "reposition" the company in the market, since some chain-store retailers were clearly unable to cope with falling consumer demand. "We decided to go for faster flow outlets, such as food chains which were expanding their range of goods.

This has also proved successful. Despite a 20 per cent fall in output volume at the worst of the recession, Palma has remained profitable and is now back to 92 per cent of output achieved in 1980.

Since the take-over one small company within the group has been sold, and one factory closed with a small number of redundancies. The amalgamation of the head offices resulted in the loss of around 40 jobs.

More significantly the management team has been strengthened, primarily to bring new ideas to bear on reducing manufacturing costs and updating production methods.

Many of the new executives have come from outside the clothing industry. "We wanted people from other industries who would ask why we do things in a particular way. It made us ask ourselves the same questions and the results have been tremendous," Mr Bailey says.

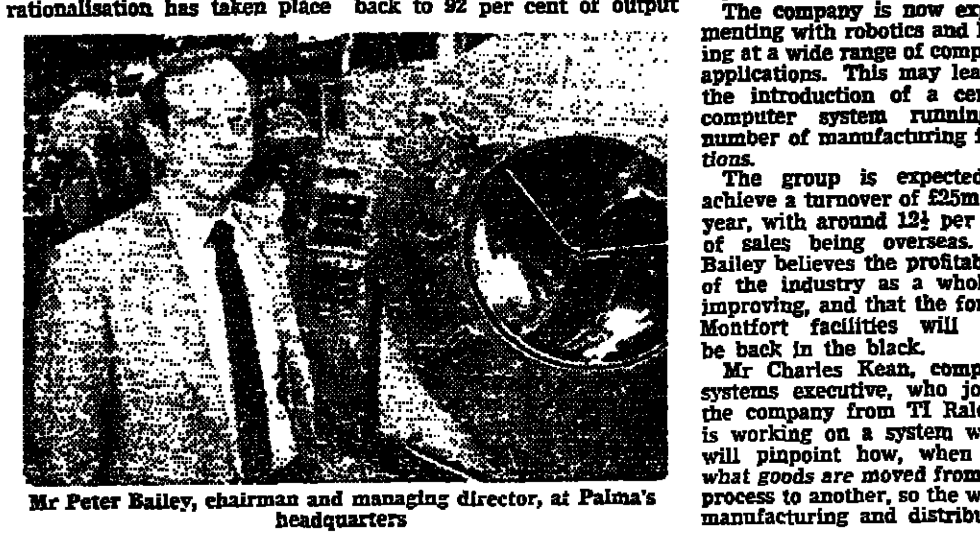
The company is now experimenting with robotics and looking at a wide range of computer applications. This may lead to the introduction of a central computer system running a number of manufacturing functions.

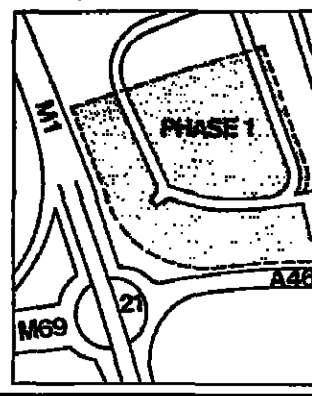
The group is expected to achieve a turnover of £25m this year, with around 12½ per cent of sales being overseas. Mr Bailey believes the profitability of the industry as a whole is improving, and that the former Montfort facilities will soon be back in the black.

Mr Charles Kean, computer systems executive, who joined the company from TI Raleigh, is working on a system which will pinpoint how, when and what goods are moved from one process to another, so the whole manufacturing and distributive process can be closely monitored. This will take an estimated 18 months to put into operation.

Increasingly close attention is being paid to marketing and market information, so that the company is able to judge market shares, changes in consumer spending habits and thereby make sure that the right product is being produced to be available when it is wanted.

L. B.


Mr Peter Bailey, chairman and managing director, at Palma's headquarters



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Defence and the EEC

PRESIDENT MITTERRAND'S speech in The Hague yesterday did not shed much new light on how the French Government proposes to conduct the European Community to a successful resolution of its financial and economic problems. But it did include suggestive references to the political and security dimensions of Europe, which deserve a careful, constructive and imaginative response from Europe's other statesmen.

That he should have been somewhat evasive on the problems dogging the Community's negotiating agenda is disappointing but not entirely surprising. It is disappointing, for example, that he is unable to recognise, in public at least, that Mrs Thatcher is most unlikely to be deflected from her demand for a durable solution to the problem of budgetary imbalances; the sooner the inevitable is acknowledged, if only in private, the better the prospects for the rest of the agenda. On the other hand, this is a negotiation of which France is one of the pivots; we should not be surprised if the French Government refuses to tip its hand until a package deal is more nearly within reach.

At the same time, however, it is vital that the governments of Europe should not permit their negotiators to focus attention too narrowly or too exclusively on the specific issues of the Community agenda.

Several member governments have acknowledged that this negotiation ought to be the springboard for a new phase in the development of the Community. For too long it has been bogged down in nationalistic bickering, which have all but stifled efforts to fulfil the obligations of the Rome Treaty, to say nothing of the aspirations of the founders. It is hard to see this negotiation leading to a new beginning, unless the member states consciously place it in the context of their larger common interests.

The most essential of these common interests is Europ's security; and it so happens that the Community negotiation is coming to a head at a time when debate on the best ways of safeguarding this security is in its greatest state of ferment for 30 years. To conduct the Community negotiation as if the security dilemmas did not exist would be wilfully irrational. Our leaders should be thinking about the future of Europe in its widest and fullest sense.

President Mitterrand is quite right to say that Europe cannot and should not break away from its American ally. Though some in Europe would like a more independent Europe, the alliance with Washington remains for the foreseeable future an essential ingredient in Europe's security.

On the other hand, there are key problems in the current defence-strategy debate which are primarily Euro-centric. It would be logical and appropriate, therefore, that the European countries should, in the context of a loyal alliance, collectively address themselves to the best ways of tackling these problems.

Nuclear dilemma

Ostensibly, Nato relies heavily on tactical nuclear weapons to off-set the conventional superiority of the Warsaw Pact, if ever the Soviet Union should decide to invade. But more and more authoritative voices are now throwing doubt on the credibility of this strategy; not merely are these weapons out-matched by similar systems on the Soviet side, but many experts doubt whether any nuclear weapons can be used in such a controlled way as to avoid an unacceptable risk of the holocaust.

The U.S. has been actively canvassing the merits of high-technology conventional weapons, as a way of reducing dependence on nuclear weapons; but the characteristic reaction of the Europeans has been to drag their feet, fearing to be railroaded into buying a lot of expensive hardware from American manufacturers.

It is certainly true that there can be no simple or quick solution to the nuclear dilemma; it may be true that the U.S. proposals are misdirected or overambitious. But since the dilemma is one which mainly affects the Europeans, they have a clear responsibility for finding solutions which they find more plausible, and which have a better chance of commanding electoral support. If President Mitterrand can start a serious European debate on Europe's security, he will have done us all a good turn.

Last act of the North Sea drama

BRITAIN'S carreer as a major oil producer is in the process of entering a new and slightly confusing phase. On the one hand, following the tax incentives in last year's Budget, the North Sea is booming. This season there will be more drilling rigs at work than in any previous year and, as Opec knows to its cost, British oil output continues to reach new peaks.

Everyone knows, however, that the hand of the clock is almost at midnight. Then the glass coach will turn back into a pumpkin and Britain will, once more, struggle to balance its books. It will suffer a decade of decline in an industry which currently accounts for about a quarter of UK industrial investment, supplies 13 per cent of UK tax revenue and which, one way and another, employs about 100,000 people.

Sharp decline

Barring a major series of discoveries, which no oil company believes to be likely, oilp roduction will peak in 1985 or 1986 and shortly thereafter oil tax revenues will commence a precipitous decline.

Faced with this, there is an understandable temptation for the Government to try to rewrite the final act of the pantomime, to slow down the riches-to-rags process, to soften the blow. If only, it is argued, the right combination of carrot and stick can be found, the oil companies can be pressed to explore harder in remote areas, like the deep water to the west of the Shetland Islands, expanding the national database about UK oil reserves and, it is hoped, raising the rate of production so that the depletion curve in terms of both oil and Government revenue is made gentler.

This is the background to the Energy Department's thinking as it prepares to announce the terms for the ninth round of North Sea oil licences. It has been arguing, apparently with success, that the round should be run along the lines that prevailed prior to Mr Nigel Lawson's eight round—that is by Government discretionary award, rather than by auction.

The case for Government distributing the cards is that it can more closely influence the industry's exploration programme and give further nourishment to the small British oil companies which its previous licensing policies have helped to create.

There are two reasons why this may not be the right approach. In the first place, as a recent Institute for Fiscal Studies paper showed, the effect on Government revenues of even an additional 20 medium sized North Sea oilfields would he to change only briefly and slightly the downward revenue curve. This is in large measure because the cost of the tax incentives weighs against the revenue advantage of greater exploration and production. There is clearly a limit to the extent to which Government should go in attempting to defy the logic of a falling world oil price.

The second point is that there are dangers from too much Government interference. It is by no means clear that the Government's encouragement of a multitude of small bidders for North Sea oil blocks in the seventh round of licensing has created anything but confusion in the management of the oilfields. Indeed a shake-out has already started to take place.

The Treasury's point, however, is a simpler one: that auctions raise money (although admittedly only £32.75m in the eighth round) and allocate resources in response to market forces.

Auction

If some upfront money can be extracted from the oil companies in return for a place in the ninth round, either through an auction or some kind of premium for better blocks, as was tried successfully in the seventh round, there is no reason why this should not be done. Indeed, it would be desirable to go further and experiment with even more liberal types of licensing, such as the U.S.-style sale of long leases or even with the sale of actual property rights in the seabed.

Government intervention is best confined to a simple, profits-based tax regime, not to detailed decisions on the timing and location of oil industry investment.

THE LEBANON CRISIS

Syria faces down the U.S.

By Roger Matthews, recently in Damascus

"SO FAR as discussions with Syria are concerned, they don't get anywhere. They did get somewhere at the time we appeared more forceful. But as we have had continuing resolutions introduced in our Congress and discussions generated by that, the Syrians basically become totally intransigent."

President Reagan is even more specific than Mr George Shultz, the U.S. Secretary of State, in laying the blame for the fierce upsurge of fighting squarely at Syria's door. "I call on the Government of Syria which occupies Lebanese territory, from which much of the shelling of civilian centres originates and which facilitates and supplies instruments for terrorist attacks on the people of Lebanon, to cease their activity," he said on Monday.

Yet Syria shows no sign that it is listening. For Damascus the renewal of civil war in Lebanon is of critical importance not just because of the close historical, personal and economic ties between the two countries, but also because the Syrian regime is convinced that the U.S. and Israel have been attempting — through invasion and negotiation — to bring Lebanon out of the Arab camp and under direct Western influence.

More than any other it is this issue which crops up in conversation with senior Syrian officials. Ever since President Anwar Sadat of Egypt broke Arab ranks in November 1977 by visiting Israel, they have been sure that Washington wishes only to impose its own settlement terms on the Middle East.

The American Achilles heel sensed by Syria—and reflected also in the remarks of Mr Shultz — is that U.S. public opinion has now swung behind the withdrawal of the marines from Beirut. For President Amin Gemayel of Lebanon this is the most visible sign of U.S. support for his regime.

"There is one very big difference between the American hostages held Tehran during Jimmy Carter's re-election year and the American marine hostages in Beirut during Ronald Reagan's re-election year—and that is, unlike the Iranians, the Lebanese people are killing their hostages," says a senior aide to President Hafez al-Assad of Syria. This cool assessment of the Lebanon crisis betrays not a hint of official regret at the deaths of the marines or the slightest acceptance of responsibility.

Such attitudes have helped convince President Reagan and Mr Shultz that Syria is systematically sabotaging all U.S. efforts to bring stability to Lebanon and to persuade King Hussein of Jordan and other moderate Arab leaders to come to the negotiating table with Israel on the basis of the Administration's peace proposals tabled on September 1, 1982.

In Damascus, however, the regime believes it has the U.S. Administration on the run and that the inevitable failure of its policy in Lebanon will also have an influence on other Arab leaders who are still tempted to co-operate with President Reagan.

Cause and effect in Lebanon: Government soldiers at bay (left), refugees fleeing their homes in Beirut (centre) and President Hafez al-Assad of Syria (right)

"One should not underestimate the impact that the military failure of both Israel and the U.S. in Lebanon will have on the entire region," says a Western diplomat in Damascus. "The credibility of the Israeli Defence Forces has been seriously dented and, if Mr Reagan is forced to pull out the marines then the U.S., too, will look like a paper tiger."

It is unlikely that the Syrians will provide even a fig-leaf of an honourable withdrawal for the marines unless there is a significant shift in U.S. policy, especially on the key issue of the May 17 agreement between President Gemayel of Lebanon and the Israeli Government which legitimised a continuing Israeli presence in southern Lebanon.

Not only is the abrogation of that agreement the key demand of all the opposition forces battling the Lebanese army in and around Beirut today, but is considered by the Sryians to be a direct threat to their strategic defence against Israel.

"Lebanon used to be our strategic defence in depth. Under the May 17 agreement it has become Israel's strategic depth," says Mr Farouk al-Shara, Syria's Minister of State for Foreign Affairs, in Damascus. "Since Israel's invasion of Lebanon in June 1982, its artillery has been less than 25 kilometres from Damascus. How do you expect us to tolerate that

"The May 17 agreement allows Israeli aircraft to fly over southern Lebanon at will, and they would be given the right to fly over the rest of Lebanon at a height above 15,000 feet. That poses a direct security threat to Syria."

Mr al-Shara continues: "We believe that Lebanon should be a free, independent, sovereign nation. But it cannot be used as a route for direct attacks on Syria. We do not bear any negative attitude towards the Western countries but when the U.S. and Israel try to make Lebanon a Western country, then we must oppose that happening.

> Where power comes from the barrel of a gun, there is little credibility given to those who threaten but cannot act

The Syrian regime unquestionably respects the forceful use of power, as do the Lebanese. In a part of the world where power has only come from the barrel of a gun during the past eight years there is little credibility given to those who threaten but cannot act.

President Assad himself has maintained his regime in Damascus since 1970 by demonstrating a total lack of squeamishness in dealing with those who appear to threaten his authority.

Anyone who doubts President Assad's determination to remain in power, whatever the cost to others, should read Amnesty International's latest report on Syria. It provides a frightening record of the most violent abuses of human rights.

These abuses reached their peak in February 1982 with the uprising by Moslem fundamentalists in the town of Hama. For a week, President Assad's Special Forces units mercillessly shelled the section of the city where the uprising was centred, leaving at least 5,000 dead and thousands more wounded.

Some Syrians, who were horrified by the carnage at Hama, can today be heard using the name of Hama almost proudly. When asked whether President Assad might lose his nerve over the confrontation with the U.S. in Lebanon they respond: "You can't be serious. You are talking about the man of Hama."

Some Western diplomats in Damascus believe that this same respect for the use of power explains why the Israeli invasion of Lebanon was welcomed by many local residents and why the different communities almost unanimously approved the election of the militarily ruthless Bashir Gemayel as President.

It also helps to explain why President Assad will ignore most other considerations in his determination not to give ground to the U.S. and Israel in Lebanon. Contrary to President Reagan's belief, there is little evidence to suggest that there is much ideological substance to the relationship between Damascus and Moscow, other than that dictated by Syria's military requirements. Even Syrian officials admit privately that they were pushed into the arms of the Soviet Union. It was the only country which would provide Syria with the ability to stand up to Israel, but they admit there is an economic and a political price to pay.

"Government ministers are basically too frightened to tell Assad just what a mess this country's economy is in," a leading businessman said last week. "War has been declared on the private sector

There is now a 13-month delay between the issuing of an import licence for a private sector merchant and the granting of a letter of credit.

Evidence of how closely the Syrian private sector is tied in to Lebanon can be discovered by visiting one of a number of Syrian villages along the border. "I drive up there, see this Syrian army officer I know and give him my order. It could be anything from building materials, to refrigerators, cases of whisky or western women's clothes for my wife's boutique," explained the merchant. "Sometimes he will come back the same day with the order, or maybe I will have to wait 48 hours or so, but there's very little which he can't deliver."

It is a system which appears to benefit everyone. It helps sustain the economy of eastern Lebanon, partially satisfies the requirements of the Syrian middle classes, provides substantial financial gains for well-placed members of the regime, and does not sully the theoretically socialist ideology of the Government.

Even more bizarre is the close economic relationship between Syria and Iran which has sprung from solely political motives. Because of the bitter antipathy between the regimes in Damascus and Baghdad, President Assad shut the Iraqi oil pipeline which carried crude to the Mediterranean at Banais. The decision damaged Iraq more than Syria economically but was nonetheless a financial blow to Damascus, only partially compensated for by a gift of 1m tonnes a year of crude from Tehran. The more sinister aspect of the deal from an American point of view has been the introduction of Iranian Revolutionary Guards into Lebanon.

Their willingness to die at the wheel of a truck loaded with explosives has made them difficult to counter, and during the past six months they have had an impact on political developments in Lebanon far in excess of their small numbers. It is almost impossible to prove that they have been aided by the Syrian Government, but only the very naive would accept that the Syrians could not end their activities should they so wish.

The same may be said of the relationship between the Syrians and the militias battling the forces of President Gemayel in Beirut.

Syria intervened during the civil war in 1976 at the request and in defence of the Christian community. It later turned against the Christians as they appeared to liaise even more closely with Israel. Today or tomorrow, President Assad will be considering urging restraint again on his Druze and Shia Moslem allies in Lebanon, providing of course that he believes a new government can be formed which will pledge to abrogate the May 17 agreement with Israel. He will also be looking for some indication from Washington that President Reagan will withdraw the marines.

But the problem Mr Donald Rumsfeld, the U.S. Middle East envoy, will again face this week in Damascus is making a correct assessment of the extent of Syrian demands. The experience of others, including a number of Arab diplomats, is that demands tend to increase in direct proportion to concessions.

President Reagan and Mr Shultz may rightly fear that once they start admitting Syrian demands, or urging Mr Gemayel to do so, they will have placed one foot on a slippery slope that can only lead to international humiliation.

However, as President Assad could well point out, that is one of the prices you have to pay in a democracy for pursuing unattainable objectives.

Men & Matters

Stylish two-step

That inimitable twosome, David Wickins at British Car Auctions, and Michael Ashcroft at Hawley Group, have taken to the floor together at Debbie Moore's Pineapple Dance Studios.

Wickins disclosed yesterday that he has bought a 7½ per cent shareholding in Pineapple, the fast-growing group which plans new dance studios in Kensington and New York. Last November Michael Ashcroft acquired a 7½ per cent stake with Procroft, his licensed deposit-taking subsidiary, underwriting a £1.5m rights issue for the company.

This is the latest in a series of two-steps performed by Wickins and Ashcroft. Each has substantial stakes in Group Lotus where Wickins is board chairman, in I.D. and S. Rivlin, a textiles and furnishing group, and in Cope Allman, the plastics, packaging, and leisure group, where Ashcroft is chairman.

Wickins says "I find Pineapple quite fun and quite rewarding. I think they are a dedicated outfit."

But will Wickins, who is 64, take more than a commercial interest in the dance studios? His comment, "I do my 12 minutes of exercises every morning. But whether I dare to get into a leotard is another matter."

Ashcroft, a mere 37, has not admitted to any workouts on the dance floor, either, since buying into Pineapple.

"Well, if I'm going to be sitting here for twelve days!"

In the chair

Professor Sir Sam Edwards, a scientist with a reputation for bringing a fresh eye to old problems, is to become Cavendish professor at Cambridge, top job in Britain's most famous research laboratory.

Edwards, aged 56, currently John Humphrey Plummer professor of physics at Cambridge, thus adds his name to a roll-call that starts in 1870 with James Clerk Maxwell (who explained radio waves).

Clerk Maxwell launched the lab with a gift of £6,300 from William Cavendish, a Victorian industrialist and 7th Duke of Devonshire, setting intellectual standards which prevail to this day, and helped to earn Nobel prizes for atomic physics, radio-astronomy, and the double-helix of DNA.

In 1936, when Lord Rutherford held the chair, the Cavendish plunged into "big science" with a £250,000 donation from Sir Herbert Austin, the car-maker, for its first atom-smasher.

The heady days of atomic science, wartime radar, then DNA, are over now, says Edwards. He believes that what the lab needs is a good manager.

By today's standards, the Cavendish is a modest spender, shorn of big science, and costing only about £3.5m a year. But its staff must go out and hustle for half of that.

Its great strength, says Edwards, "is the very large number of extremely able research students" bursting with new ideas in solid-state physics, radio-astronomy, and chemistry.

A few British companies — he picks out GEC and Pilkington especially—recognise what a national asset it is, and have found ways of tapping it.

Bank chap

The launch tomorrow of the clearing banks' automated payments system (CHAPS) will be the culminating point in Eric Simmonds's banking career.

Simmonds, aged 59, was seconded from his post as assistant general manager at the Midland Bank three years ago to oversee the development of the £5m CHAPS project which will gradually replace the time-worn method of toting some £20bn of paper daily round the City of London.

Some 40 banks will join the new system tomorrow—about 60 per cent of the potential customers. "A very good start," says Simmonds, unruffled by the criticisms that have come from the merchant banks

"That is not to say we are complacent," he adds. "We must make sure that all our customers are happy with the system."

For the last 23 of his 36 years with the Midland, Simmonds has been engaged in bringing the bank into the electronic age. "We started with the accounting systems in our West End branches in 1960," he says. After that, he was involved with the computerisation of the international division and later the on-line system which links all branches to computer centres.

After seeing CHAPS through its first two months' operation, Simmonds will retire in April. "It did not seem worth while going back to the Midland for a year," he says.

Instead he will go back to his home in the Midlands — at Warwick, where he plans to turn his enthusiasm for narrow-boats to business, running a canal cruising holiday base

Digby boards

Lord Digby, aged 59, is following the saltwater traditions of his ancestors by joining the board of the Weymouth company, W. and J. Tod, marine defence engineer.

Digby will have to man the quarterdeck with some diligence, however, to earn the approval of his navy forebears. The family story began in the 17th century with Kenelm Digby who commanded a flotilla of privateers in the Mediterranean. A century later Admiral Robert Digby (who gave his name to Digby, Nova Scotia) was Admiral of the Blue on the America's station at the time of the War of Independence.

Another seafarer in the family was Admiral Henry Digby, Nelson's youngest captain at Trafalgar.

Digby's new company is a world leader in the design of the modern equivalent to Nelson's telescope — glass reinforced plastics sonar domes which help spot the enemy. Its latest big contract is for a giant dome to be installed in the keel of the Italian helicopter carrier Giuseppe Garibaldi now being built near Trieste. She well be Europe's largest warship.

Pep popped

The U.S. Pepsi Cola corporation awarded first prize among European bottlers of the beverage to a small Norwegian company, citing its high standard of operating routines, its efficiency, hygiene and quality control.

The Norwegian company, alas, has not been able to collect its award. It went bankrupt last autumn.

Observer

BRITISH UNIVERSITY RESEARCH

How industry can cash in

By David Fishlock, Science Editor

PETER DAVEY is the kind of innovator the Prime Minister is keen to encourage in droves. He is a highly articulate engineer who straddles with ease the disparate worlds of academia and manufacturing industry.

In Britain such people seem to be scarcer than elsewhere, the U.S. especially.

Mr Davey, an Oxford University research fellow, has just persuaded the City and his own university to put up nearly £800,000 to let him get into production with his invention in robotics. "It's not a garden-shed operation," he says, with his sights set on a new factory near Abingdon.

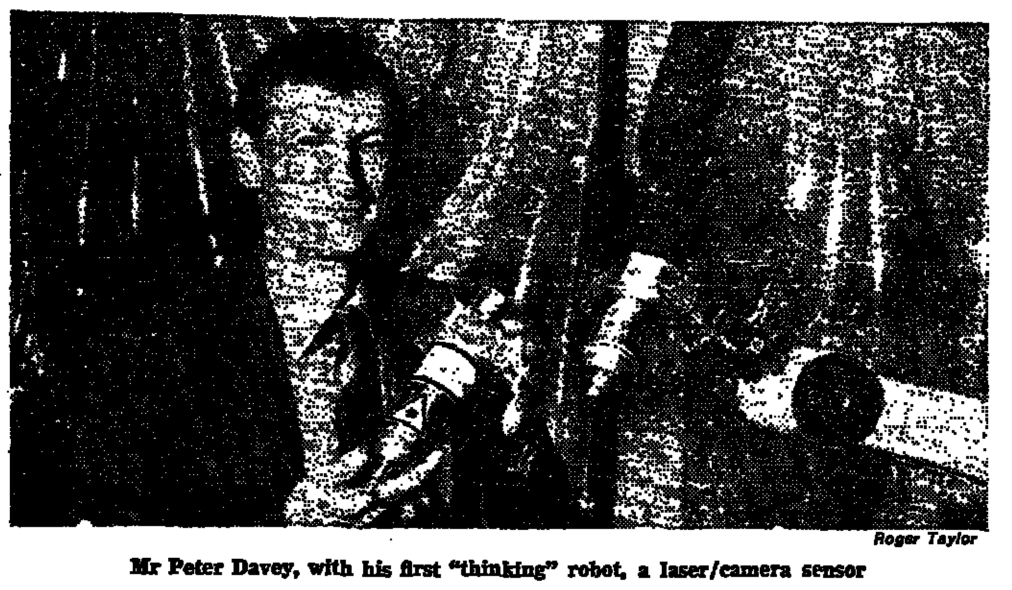
His respect for another Oxford man who in the early 1960s gave Britain a world lead with a novel kind of magnet has led him to bring Martin Wood on to his board, in the hope that "some of the magic may rub off." Mr Wood is chairman of the £120m Oxford Instrument Group, which literally began life in his garden.

Both Mr Davey and Mr Wood, two decades apart, received great encouragement from Oxford dons to commercialise their work. But this is not typical. Sir Fred Dainton, chairman of the British Library Board and an Oxford scientist who has successfully straddled the two cultures throughout his career, strongly criticises Britain's 30,000 university staff for their failure to encourage innovation.

Few universities have any policy on scientific research other than to be non-interventionist, Sir Fred says. He believes Britain cannot afford the luxury of such detachment in times of scarce resources. He wants every university to form a committee "to identify priorities, support what is timely and promising, and extinguish the mediocre."

Many dons would see all this as gross interference with academic freedom. But the alternative may well be to have their freedom curtailed far more damagingly by dwindling research funds, as Britain's industrial wealth continues to shrink.

No one doubts that Britain's universities are highly inventive. A much-quoted yardstick is the high proportion of Nobel prizes in the sciences earned by Britain, 61 all told. One specific example: British geological research into how oil and gas pockets form *in sedimentary* basins is now the basis of exploration by virtually every big oil company.



Mr Peter Davey, with his first "thinking" robot, a laser/camera sensor

Roger Taylor

But few people—least of all in universities—understand how small a part the original idea *or discovery* may play in the complete innovatory cycle *through to profits. Often,* as Sir Fred points out, the main revenue and the main employment may flow only from second and third generations of the invention.

Often the problem is how to gain the dons' enthusiasm so that manufacturers can maintain an innovative lead into the second and third generations. Too often an early lead is swept away by a wave of foreign investment in research and development. Sir Fred points to EMI's "fatal experience" with *its* EMI-Scanner, and warns that it could yet be repeated with the GEC subsidiary Picker International and its new NMR scanner, so huge is the technology effort being mounted by rival companies in the U.S. and Japan.

He believes that future debacles of this kind might be avoided if university staffs with the relevant skills could be mobilised "to create an infrastructure which would ensure the technical lead." Concerted action by manufacturers, government departments and the research councils is needed, he says.

The nearest Britain has come in peacetime to marshalling academic forces to a specific industrial objective is in the direc*torates of the Science* and Engineering Research Council.

It has organised directorates concerned with basic research in polymer engineering, marine technology and biotechnology in universities and its application to commercial problems.

One of the initiatives of the *Biotechnology Directorate, for* example, is a new research laboratory at Leicester University in which five major British companies in brewing, tobacco, food and engineering, as well as the university, are collaborating.

SERC is also a co-inventor of what has come to be known as the Alvey directorate, the national initiative in long-range electronic research and the quest for the fifth-generation super-computer. "Had we been able to invent such a mechanism earlier, we *might* now be *spending* much less time complaining that the Japanese can and we can't," says Professor John Kingman, SERC's chairman.

SERC believes that two of its directorates, polymer engineering and marine technology, are sufficiently mature to be transferred to industry. This will free cash for two new directorates, one of which will orchestrate the university input to the national information technology programme.

The other will cover manufacturing engineering, including numerical control and robotics. It is based on four years of groundwork by Mr Davey, as head of SERC's £2m-a-year robotics research programme. Had he not chosen to strike out with his own robotics company, Meta Machines, making his "thinking" robots, Mr Davey would have headed the new directorate.

SERC's problem is common to all five of the research councils, with their total budget of £550m this year. Where Britain's trad*ing rivals are increasing their* investment in basic research, of the kind in which universities excel, British government policy is to peg the science budget, demand more immediate results and argue that it cannot afford the luxury of so much basic research. But as *Prof. Kingman* sees it, "basic research is not a luxury."

The Medical Research Council has won its share of Nobel prizes, notably in molecular biology, the science that led to "genetic engineering" and the explosion of commercial interest in biotechnology in the last few years. But the MRC is still in the Prime Minister's bad books for allegedly failing in 1975 to patent a key genetic engineering technique now arousing commercial interest worldwide.

Spurred on partly by this criticism, the MRC struck a deal three years ago with a new British biotechnology venture called Celltech, giving the company exclusive rights to its genetic engineering inventions. Big business which, according to Sir James Gowans, MRC secretary, had hitherto largely ignored the MRC's £100m-a-year research programme, complained bitterly about being cut out of commercially promising research funded by the taxpayer. Outraged pharmaceutical firms besieged the MRC, claiming their "rights."

It was a classic demonstration of what the scientific civil service once dubbed "the principle of *maximum unfairness.*" This says that government-funded research attracts commercial interest only when an exclusive deal is struck and other firms worry that they might have missed out.

However, some of the drug companies stayed around to encourage Sir James Gowans to set up an MRC industrial liaison office to smooth the way to the research it is funding in its own and in university laboratories.

Still more satisfying for Sir James, however, is the way some of his best scientists have rallied to the support of of Celltech, and shared the initiative in seeking out ideas in genetic engineering to exploit. In one case a senior *university scientist and his* team transferred from the MRC to the company payroll.

It is not, of course, the business of research councils to prop up industry but to support university research. But Sir Fred wants the univer*sity committees he proposes for* identifying priorities also to nudge the effort in directions of greater industrial relevance.

Other mechanisms to aid technology transfer from universities to industry are being tentatively explored. For example, three City institutions recently joined with the Cranfield Institute of Technology to form Base International, a company specialising in the exploitation of advanced technology. Its chairman is Sir Henry Chilver, vice-chancellor of Cranfield, who as chairman of the Advisory Council for Applied Research and Development (Acard) is, in effect, the Government's chief technologist.

Acard has called recently for *a few strong national "centres of excellence"* in manufacturing technology in which research councils, universities and industry would all participate.

Building on this proposal, a Royal Society discussion proposed that such university centres of excellence, by specialising in different, competing manufacturing technologies, could prove the most effective way of deciding which —if any—of the new technologies promised to pay off best in a given situation.

U.S. Economy

Corporate profits: Mr Reagan's Achilles heel

By Anthony Harris

THE GROWING disillusion in Wall Street, which has turned into something near panic among small investors in the rest of the world, seems to have a solid and prosaic cause: U.S. profits no longer seem to be *rising, and may be falling.* This squeeze on profits is a natural consequence of the high value of the dollar, and thus carries no message for other economies with more realistically valued currencies.

If that were the end of the story, one might expect Wall Street to remain in a bearish mood, while the rest of the world recovers its nerve. However, this turn in the equity markets could be the beginning of something much bigger: either the long-awaited turn in the dollar, or a shift, starting in Wall Street, in the long-term relation between bond and equity yields. It may also carry a political signal.

Mr Reagan: bad news

First, the facts—which are rather tentative at this stage. *The disappointing figures for* U.S. GNP in the final quarter of last year started the trouble by making Americans less bullish about growth during 1984; but further thought has shown that they have some very immediate implications for profit margins.

Mr David Hale, of the Kemper group in Chicago, who produces our annual forecast for the U.S. economy, has estimated that the figures at face value imply a small drop —from about $230bn to $220bn —in nominal profits. This can be estimated because it is known that employment has continued to rise sharply, so that wage payments can be estimated fairly confidently. Industry's interest rate liability is also fairly easy to estimate. What is left is profit.

There is scope for error here, as Mr Hale admits, and profits may simply have stood still or even risen a shade; but they have certainly fallen short of the expectations which were built into Wall Street prices. *The fall* is therefore a matter of cold reason, not sentiment.

There are two crosschecks which make this analysis look thoroughly credible. One is that the fourth quarter figures also suggest a very disappointing labour productivity performance. The profit growth which has resulted *from* activating idle plant may now be nearing its limit, so the future going will be hard.

The other check is the gap between the price adjustment predicted by purchasing officers in the U.S., which has shown a strong expectation of price *increases for more than nine* months past, and the very subdued rate of inflation. This suggests rising costs contained by tight competitive conditions —the normal result of a high exchange rate. In the U.S., as in this country, a strong *exchange rate protects* consumer incomes at the expense of profits.

Profit growth, then, is likely to be very difficult to achieve as long as the dollar remains so high. Some analysts indeed fear that disappointing profits could drive interest rates and the dollar even higher, as corporations have to top up their cash flow with borrowings. In fact, however, cash flow is healthier than profits, thanks to the Reagan tax remissions on depreciation.

An alternative and rather likelier scenario suggests that falling profits could undermine the dollar, simply because overseas demand for U.S. equities will dry up. This is more plausible; portfolio flows have certainly helped to support the dollar while the current account swung from surplus to large deficit. However, the effect may not be dramatic, and may be delayed. The portfolio inflows are thought to have fallen drastic*ally during last year,* and more recently the U.S. deficit has been financed by banking flows —the rapid rundown of U.S. overseas lending—and strong foreign demand for U.S. fixed interest securities. The floating of U.S. house mortgage paper in Tokyo was *simply* a rather spectacular example of this new source of balance of payments finance. In any case, lower U.S. growth could well mean a somewhat lower deficit.

A falling dollar, which would tend to relieve pressure on interest rates and commodity prices, should on balance be good news for the rest of the world—there is no long-term benefit from any price maladjustment; but falling equity prices may carry their own, contradictory message. It could undermine the long cult of the equity.

Indeed, on purely rational grounds it is the recent height of equity markets which is hard to explain, rather than their current fall. With high fixed-interest yield *freely available,* and indeed real returns of about 4 per cent on offer in London, recent equity values seem to have been discounting a quite implausible amount of good news. The yield gap between equities and fixed interest—*until quite recently known* as the "reverse yield gap," which is a reminder of past normalities —is still abnormally high by the standards of the 1960s, when inflation was somewhere near its present level.

Finally, the President. The present mood on Wall Street is bad news for Mr Reagan, on any likely projection. Disappointing activity, productivity and share prices are bad for morale in any case. A resolution through a weaker dollar—and possibly a dramatic fall—and higher inflation would undermine his claims to economic success, for any benefits to industry would appear well after November. And what is bad news for Mr Reagan is unsettling for markets everywhere. Better the devil you know....

Letters to the Editor

Hitting wrong notes in the music industry

From Mr C. Hobbs

Sir,—I was gratified to read Jason Crisp's excellent article "The Pirates are on the Run" (January 21), in which he reviewed video and audio copyright problems.

It was delightful to read such plain speaking from the British *Phonographic Industry's* legal adviser, Mr Patrick Isherwood, who was quoted as saying: "We are no longer bleating for a subsidy or grant, we simply want compensation for our unenforceable rights."

At long last the record in*dustry admit that* whatever else they may have been "after"—to use Mr Isherwood's expression—it was obviously not fair compensation for unenforceable rights. However, that is what they have always claimed. So it would seem that in the past they were *just trying to fool* the rest of us while they were under no illusions themselves. They actually were "bleating" for a subsidy on any basis they could contrive, no matter how unjust it might be to consumers. And that is what the Tape Manufacturers' Group, along with numerous independent journalists, always said they were trying to achieve.

Such cynicism is hardly *attractive.* But it sets the tone for their entire campaign to wring funds from innocent consumers whose uses of blank recording tape do not in any sense threaten the music industry.

Reference to "compensation *for our unenforceable rights*" is clearly designed to curry sympathy, but why should countless commercial and industrial users of audio recording tape be forced to pay a *tax* to the record industry whose products are not affected?

And why should domestic users of audio recording tape pay such a tax when much home-taping actually helps to sell records by creating greater public awareness of artistes and their work?

Furthermore, we should remind ourselves that someone who home-tapes a disc, legally acquired, in order to preserve its quality or to play it on their car audio system or their personal stereo, for example, has a clear moral right to do so.

The music industry is still in pursuit of its unjust objectives despite the fact that Mr Isherwood's comment reportedly came against a background of fresh optimism—and presumably greater profits — among record manufacturers, following the success in America of such artistes as Duran Duran and Boy George.

Chris Hobbs.
For the Tape Manufacturers' Group,
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Objectives for British Airways

From the Chairman, British Airways

Sir,—In his letter published on Monday (February 7), Mr M. O'Regan makes the valid point that neither the British Airports Authority nor British Airways can be properly valued if airport development is *uncertain.*

On behalf of British Airways I entirely endorse his suggestion that airport policy be settled now.

However, Mr O'Regan then makes the totally unrelated assumption that British Airways enjoys a "monopolistic trading status . . . that cannot be desirable." I cannot let that pass unchallenged. The maintenance of British Airways at its present size and composition is not only desirable but essential if it is to continue to compete on level terms with other major international airlines. Any reduction in British Airways' present share of the market can only weaken it as the national flag carrier to the ultimate detriment of the consumer and the taxpayer.

King of Wartnaby.
Cleveland House,
St James's Square, SW1.

Support for Herr Kohl

From the Revd Canon R. J. Halliburton

Sir,—I feel that Herr Kohl deserves a few more marks than you gave him in your leader of February 3. To have to cope with a difficult domestic situation on return from an equally difficult foreign tour would have floored a less balanced and more sensitive statesman. Allegations such as those made against General Kiessling are inevitably in western society today greeted by accusations of paranoia on the part of those who make them, whether they are true or not. Herr Kohl has done well to support his minister knowing that the long term solution on his military staff is not far away. It is to be hoped that the whole episode was due simply to a misreporting of the facts. If it was not, and the present solution reached for reasons of political expediency, then the difficult legacy that the German Government will be inheriting will extend far beyond Herr Kohl's administration.

R. J. Halliburton.
30 Ailsa Road,
Twickenham, Middlesex.

Performance of the Press Council

From Mr Denis MacShane

Sir,—Malcolm Rutherford is quite right to criticise the Press Council's abysmal performance (Politics Today, Feb 3) but over optimistic to hope that under its present structure and constitution the arrival of a new chairman will make much difference.

The basic problem is that newspaper proprietors pay for the Press Council. One does not have to be overly cynical to suggest that Mr Murdoch, Lord Matthews, Lord Rothermere are not going to put money into anything that will operate as an effective check on how they wish to run their newspapers.

After all, the highly cautious 1977 Royal Commission on the Press made several useful modest suggestions about how the Press Council might improve its performance. Nearly all of these the Press Council turned down because they infringed the prerogative of the proprietors.

Of course the most stinging 20th-century rebuke about press behaviour was delivered by a Conservative Prime Minister, Stanley Baldwin, when he described Fleet Street newspapers as harlots who enjoyed "power without responsibility."

In recent years it has been Labour that had made the running in proposing press reforms but this has been dismissed as wild-eyed Bennism. Now a much wider spectrum is getting fed up with the behavioural excesses of many newspapers and worried about the concentration of ownership and hence opinions and reportage. One wonders if Mrs Thatcher, sensing this mood, will dish Labour and emerge as a populist champion of press re*form.*

Denis MacShane.
2 route de Loex.
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Unblocking promotion of managers

From Mr P. Packard

Sir,—Professor Hunt's forecast of the problems brought about by the over-supply of managers (December 30) is extremely timely. After many years of working in the field of performance assessment as well as with redundant managers, we have found exactly the point which Professor Hunt makes. The crucial factor in developing managers is that their way *should* not be blocked by those above them, who have not the stamina or capacity for today's requirements.

Because of employment legislation and the changing attitude in industry, it is impossible to make such "blockers" redund*ant since it is essential* that the post remains in being. For these reasons we have had to devise a way of handling this problem by inventing a means of executive movement in a constructive way.

This involves helping organisations to motivate executives to face career change, thus unblocking the potential capacity of the post for the good of the organisation.

In my opinion, unless companies are prepared to grasp *this nettle, Professor* Hunt's fears for large numbers of managers will be realised.

P. M. A. Packard,
Director.
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Mariner House,
157, High Street,
Southend-on-Sea.

Unemployment rates for graduates

From the Professor of Economics, University of Lancaster

Sir,— Michael Dixon's recent article (January 26) on graduate unemployment rates is both disappointing and misleading. It is misleading because it says that the Department of Economics at the University of Lancaster is currently trying to construct a measure of the employability of each university's graduates.

This is not true. A colleague and I are attempting to explain why the unemployment rate varies between universities. We are not attempting to construct an index of employability. The project is based upon detailed data supplied by the Univer*sities' Statistical Record Office.*

Mr Dixon's article is disappointing because it ignores the fact that we have already shown differences in the graduate unemployment rate between universities to be largely a result of *differences* in the range of subjects taught. This result is based upon the statistical analysis of data for each university covering 78 subjects over a period of six years, from 1975-76 to 1980-81.

An explanation of our methods together with our results is provided in an article published in The Times Educational Supplement on September 16, 1983. Copies of this article are available on request from myself.

Jim Taylor,
Gillow House, Lancaster.

FINANCIAL TIMES
Wednesday February 8 1984

Lloyd's to raise premium rates on satellites

By John Moore in London

LLOYD's insurance underwriters are to raise the premium rates on satellite insurance business following the loss of two communications satellites from the U.S. space shuttle Challenger. The losses will mean a payout of about $60m by the Lloyd's insurance market.

Insurance groups around the world face having to pay a total of over $180m on the losses. The claim on Western Union's Westar 6 satellite will cost insurers over $105m while the loss of the Indonesian owned satelite, Palapa B-2, is expected to involve a payout in excess of $75m.

Lloyd's, which is currently estimated to earn around $47m a year from satellite business in premiums, will increase its premium rates by more than 10 per cent, insurance experts said yesterday.

Half the world's satellite insurance business is placed among London companies and Lloyd's underwriters. Lloyd's usually insures around two thirds of the business placed in London. It is regarded as highly profitable business and, until the latest losses, Lloyd's underwriters had shown healthy profits.

Already, under the policy held by the Indonesians, a rate rise has been triggered by the loss. Rates have increased from $3.5m in premiums per launch to $6.5m per launch in accordance with the wording of the insurance policy.

In spite of the losses brokers in London said yesterday that there were no signs that any insurer had decided to pull out of the insurance of satellites.

In Indonesia, officials said their ground stations and other stations worldwide had been trying to make contact with the satellite. But apart from a brief and very faint period of communication there had been little success.

The satellite was to have been placed in orbit over the Indonesian province of East Kalimantan. With another similar satellite, Palapa-B1, which was successfully launched in the middle of last year, it was to have formed the second generation of satellites in Indonesia's ambitious telecommunications system.

Western Union's Westar 6 was located after two days of searching but was in the wrong position and was declared virtually useless for its owners.

Anger over satellite loss, Page 5

France in line for big arms deal with U.S.

BY DAVID HOUSEGO IN PARIS

THE U.S. could well place arms orders with France running into billions of dollars, according to western diplomats in Paris.

The orders are seen as reflecting a gradual shift in policy towards placing contracts with European allies in cases where European equipment is more sophisticated, or where the research and development costs in the U.S. are prohibitively high.

Most contracts would go to France, which is believed to be the only European country with a positive military balance of trade with the U.S. It has also produced several items of equipment whose high technology has much impressed the American forces.

Until recently, the French Government has been as critical as other European administrations of the U.S. failure to make sufficient purchases in Europe under the "two-way street" arrangement – the understanding by which transfers of technology and equipment should flow both ways across the Atlantic.

France was particularly annoyed by the U.S. decision to cancel orders for the Franco-German Roland surface-to-air missile, which would have been fitted to American tanks. According to diplomats, there is a strong chance that the U.S. will now purchase large numbers of Roland missiles to defend its air bases in West Germany, after finding that its own equivalent was not as good and more expensive.

France has also insisted that the extensive use of high – technology weapons in Europe should be accompanied by an agreement to share the production of any such equipment between the allies.

Among current U.S. contracts with France are the joint development by Snecma and General Electric of the CFM-56 aero-engine for use in military tanker and cargo aircraft. Diplomats suggest that virtually the whole of the U.S. military tanker and cargo fleet could be re-equipped with the engine.

The U.S. Air Force also recently placed an order for several thousand Durandal anti-runway bombs with Matra. This order alone is said to be worth several hundred million francs.

Other French equipment for which it is said U.S. orders may be placed include:

- The Apilos anti-tank weapon. which is being considered by the marines and the army. It is cheaper, lighter and more effective than U.S. weapons.
- Navigational and avionic equipment for relating naval aircraft to their carriers and other aircraft. A decision to use the system would result in large orders.
- Decontamination equipment for defence against chemical weapons. The U.S. believes that France has a strong lead in chemical warfare protection, and is worried by Russian advances in the field of chemical weapons.
- The Rita tactical communications network which the U.S. admits far surpasses anything currently produced in America.

Paris expected to approve new industrial development chief

BY DAVID MARSH IN PARIS

FRANCE'S state-controlled Industrial Development Institute (IDI), which is likely to be given a new chairman today after months of doubt over its leadership, now faces a challenge to reinstate its role in French industrial strategy.

The new chief, whose nomination is expected to be approved by IDI's governing board at today's meeting, is M Claude Mandil, a French industrial civil servant who has been director general of the institute since last year.

He replaces M Dominique de la Martinière, with IDI for more than eight years and its president since 1982.

M de la Martinière resigned in July in protest our government interference in the running of Boussac Saint-Fréres, the troubled textile group in which IDI holds a stake of just over 50 per cent.

Wrangling within the Government over the choice of a successor has left a vacancy for more than six months, although M de la Martinière has remained in the job to prevent a complete vacuum.

IDI, which was set up in 1970 to take equity stakes in promising small and medium-sized businesses lacking sufficient capital, intends to sell off several majority participations and return to its traditional mainstream line of helping smaller companies.

The institute also intends to redouble efforts to achieve a capital increase from the state to back up its financing operations.

A FFr 180m ($21.4m) capital increase was promised last year, but the funds have been blocked, partly because of IDI's future leadership and strategy.

Among the stakes which IDI intends to sell is its 99.9 per cent share in Braud, France's sole independent manufacturer of combine harvesters.

M Mandil said yesterday that Fiat, the Italian motor group, was bidding for Braud as part of general efforts to restructure the European agricultural equipment industry. "but this hasn't been decided – it is not the only solution," he told a press conference.

He added that Renault, France's leading agricultural equipment maker, was not interested in buying Braud because it was preoccupied with a possible deal to take over some of International Harvester's European assets. This could also include a restructuring link with the French subsidiary of Massey Ferguson.

M Mandil was a senior adviser on industrial affairs to M Pierre Mauroy, the Prime Minister, between 1981 and 1983, and also worked for public development and industrial assistance agencies under the previous administration.

The present Government has made no secret of its desire to bring a top industrialist to the head of IDI. But the nomination of M Georges Chavanes, the head of French electric motor company Leroy-Somer, was blocked by a last minute decision by the Elysée Palace last November.

M Mandil, therefore, will need to take the initiative to show in coming months that, in spite of pressures from the government, which owns 49.95 per cent of IDI, he can remain a relatively independent figure. The remainer of IDI is held by financial institutions.

The first big test will be to see whether he can clinch the planned and long-overdue capital increase.

Restructuring measures disappoint, Page 2

UK money growth on target but lending still high

By Philip Stephens in London

GROWTH in the most closely watched measure of Britain's money supply slowed last month and moved back within its annual target range, but there were worrying signs that bank lending to the private sector is still running at uncomfortably high levels.

The Bank of England said yesterday that the broad money aggregate, sterling M3, grew by around ½ per cent in the banking month to mid-January, making its annualised increase since last February 10¾ per cent, compared with 11 per cent in December.

The target range for M3 set in last year's budget is 7 to 11 per cent, but for much of last year it was above that level.

The slowdown in money supply growth was welcomed by the Treasury, which pointed out last night that, on the basis of the last six months' figures, all three monetary aggregates were about mid-way in their target ranges.

There was some unease in the City of London, however, about the level of bank lending during the month, with figures released by the leading commercial banks suggesting that the accelerating pattern of the last few months was continuing.

The banks said they lent an additional £916m ($1.3bn) to the private sector in January, with the underlying rise after seasonal adjustments around £600m to £700m.

On the basis of those figures and on evidence of heavy commercial bill purchases by the Bank of England during the month, some analysts said that overall bank lending might have increased by some £1.5bn in the month.

UK MONEY SUPPLY
(% increase)

	Dec–Jan	Feb–Jan at annual rate
M1	–¼	11½
Sterling M3	½	10¾
PSL2	1	12¼

M1 consists of notes and coin and bank deposits which can be withdrawn without notice. Sterling M3 includes all bank deposits. Private Sector Liquidity 2 (PSL2) includes deposits with building societies

The upward pressure of that lending on the money supply was softened by the aggressive funding policy operated by the authorities, with net sales of gilts during the month put as high as £1.25bn.

If the overall lending forecast is confirmed in final statistics due this month, it might bring renewed fears of upward pressure on interest rates.

Bank lending to the private sector is one of the main influences on the money supply and the impact of a continuing acceleration on monetary targets can only temporarily be offset by heavy sales of government securities, most analysts believe.

Bank lending in December totalled some £1.7bn, but that figure was probably distorted by seasonal factors, and the average increase over the previous three months was some £1.2bn.

A further worrying aspect of yesterday's figures from the banks was that most of the growth in bank lending was again concentrated in the non-industrial sector, with particularly large jumps in house purchases finance and other personal borrowing.

The fear voiced by many analysts is that if personal borrowing remains at such high levels and corporate loan demand begins to pick up, there might be a "credit crunch," with the Government perhaps forced to raise interest rates to hold down money growth.

The Bank of England said yesterday that M1, the narrow measure of money, actually fell ¼ per cent in January, pushing its annualised growth rate down to 11½ per cent, just outside the 7 to 11 per cent target range.

PSL2, the wider measure which includes building society deposits, grew by 1 per cent, however, with its annual rate now well outside the range at 12¼ per cent.

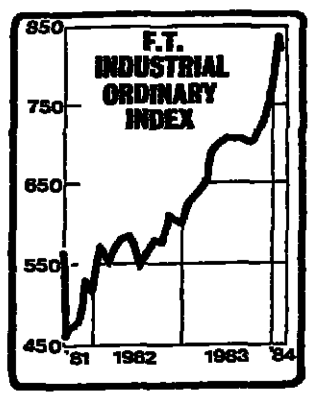
THE LEX COLUMN

Bulls' eyes on Wall Street

The London market had more than just Wall Street to worry about yesterday morning, with some disappointing corporate figures at home. But amid signs that the current correction in international share prices had spread further, from Frankfurt to Sydney, the market spent another day taking its real cue from overseas. Since Wall Street had jumped neither one way nor the other by London's close, the same seems likely to apply again today.

Perhaps some comfort can be derived from the fact that concern over the revised U.S. monetary targets has so obviously been the main culprit for this week's setback. Some reaction had to follow after the 8½ per cent jump in the FT Actuaries All-Share in the first weeks of the year and it is striking how few pretexts the market has drawn from domestic news. Yesterday's banking figures certainly drew little fire despite their message that bank lending continues to accelerate. The implications of the new long tap up for tender today, however, are still reverberating in the City of London; few fund managers can feel comfortable with the authorities' apparent appetite for long term funds at 10½ per cent.

More straightforwardly encouraging for the market might be the lack of real selling pressure evident yesterday. Those who rushed to join the party early in January have been in no hurry to leave early. Some renewed merriment on Wall Street ought to set things off again with a swing – though, without it, the buyers will probably sit glumly in their corners for a while yet.



BOC

BOC had the unhappy distinction yesterday of leading the FT 30-Share Index back down through 800, with a 7 per cent fall in its share price to 278p. But after all pre-tax profits in the seasonally weak first quarter to end-December were up 55 per cent, net of the £5.6m profit on sale of part of the Oxford Instrument holding. It looks as if some investors, having been wrong-footed by the very good performance in last year's fourth quarter, had pitched their expectations too high for the current year.

In fact, the shape of the upturn was much as expected. The graphite division crept into the black, but not by enough to offset losses in welding. Gases made most of the running, but the medical division continued its remarkable growth record. It now seems that the two older graphite plants will not be closed, but only slimmed down. The U.S. welding business has a question mark over it, but still seems to be a cash contributor, whether or not it hits break-even by the year end.

Full year forecasts now range from £135m to £145m pre-tax. The tax charge, though, is another matter. The very generous U.S. system for selling off taxable losses, which saved BOC £7.9m in this quarter, has now been terminated, so the full-year tax charge should rise from the 11 per cent in these figures to around 25–30 per cent.

Vantona Viyella

Vantona's absorption of Carrington Viyella could scarcely have been blessed with better timing, since the new group was able to knit itself together (during the year to November) in the most sharply improving demand climate for years. It is no less remarkable how rapidly the trading results have turned round; pre-tax profits of £12m also show that something was left in hand at the time of the ICI placing in December. Still more striking has been the new Vantona's ability to pull in more than enough cash to extinguish the £25m pro-forma overdraft with which it started life.

Although the disposal of Vantona's interest in Guilford Kapwood was responsible for one third of the cash influx, much of the remainder is down to the stronger trading position which former Carrington subsidiaries are enjoying in their new habitat. The new company has been in a position to re-equip them with proper credit ratings and draw faster payment from customers, while the combination of stronger demand and heftier finances put an end to the tradition of distress discounting.

Vantona's chances of achieving further large improvements must now hinge on the expected productivity gains, and on other benefits from the decentralised management now threaded into the group. With an extra three months of a profitable Carrington, and a newly intensive exploitation of some useful brand names, Vantona should at least not find it too hard in 1984 to make yesterday's 200p share price – and historic multiple of about 8 – look less than exacting.

Investment trusts

Share registers in the investment trust sector have begun to look a bit less gloomy in the last year or so, with signs that the individual shareholder might at last be holding his own against the steady encroachment of the institutions. If there is to be a vigorous counter-attack, the sector might do worse than to follow up Scottish American Investment's innovation in linking its shares to a personal pension plan under the fiscal auspices of Sun Life.

The scheme should bless Scottish American with the joys of a proper marketing campaign, as well as access to the familiar tax breaks available for private pensions. It will be hoping, as a result, to see the price of its shares creep up closer to their net asset value. The chance of riding such a recovery must be the principal attraction for the customer of linking his pension to a trust rather than a unit scheme in the normal way.

Any major deterioration in international equity markets from current levels would probably not help in this respect. But however percipient its timing should prove to be, Scottish American's move opens up the prospect of the trust sector moving at last to join the unit funds in the modern world of tax shelters and private pension schemes. And if that happens, it seems unlikely to strengthen the ailing case for keeping the direct administration of tax-exempt pension savings linked exclusively to the life assurance industry.

Switch in peace role expected

Continued from Page 1

There is also reluctance among the European members to contemplate a withdrawal of European contingents without similar willingness by the U.S.-Government because of the harm which this would do to wider U.S. European relations.

But there were also clear signs from across the Atlantic that pressures were rapidly building up for a large change in the U.S. position despite President Reagan's vow of "firm and unwavering support" for President Amin Gemayel on Monday.

Mr George Shultz, U.S. Secretary of State, told a news conference in Brazil that the U.S. would continue to support the Lebanon but declined to rule out the option of withdrawing the 1,600 U.S. marines.

Later, he told newsmen on board an aircraft flying him from Brasilia to Grenada that the U.S. Government was examining "whether there is a way to construct our forces that will address more directly the nature of the problems."

The Secretary's remarks reflected growing U.S. doubts about the viability of the Gemayel presidency and increased pressure from both parties to bring out the marines.

Rocard pessimistic on farm price deal

BY IVO DAWNAY IN BRUSSELS

M MICHEL ROCARD, the French President of the EEC Farm Ministers' Council, said last night that agreement on prices and agricultural reforms now looked "impossible" within the Community's Ecu 16.5bn ($13.5bn) farm budget.

Speaking after a near fruitless two-day ministerial meeting, M Rocard said that member states' inability to compromise on a series of key issues meant that the greatest hope of a way through the impasse now lies with the heads of government summit in Brussels next month.

"The likelihood of a deal now looks feeble," he said. M Rocard's gloomy synopsis came after members agreed to ask a committee of senior civil servants to examine the additional costs of accepting each member state's minimum conditions for a deal.

Though clearly intending to renew pressure on governments to soften their negotiating positions, M Rocard was reflecting a growing fear that no accord can be reached by the end of the March deadline.

The civil servants' committee has been ordered to quantify the costs of meeting the demands of the 10 governments in time for the next farm ministers' meeting scheduled for February 27 and 28.

Their conclusions will allow governments such as those of West Germany, the UK and the Netherlands, which favour minimal price increases, to argue against those seeking a rise in the Commission's average 0.8 per cent price package.

Conversely, those seeking greater rises – France, Italy and Ireland – will argue that these countries must themselves agree a cost-saving reduction in Monetary Compensatory Amounts, the system of border subsidies and taxes that favours farm exports from countries with stronger currencies.

Any attempt to increase funds for the Common Agricultural Policy (CAP) faces a minefield of legal problems, leaving aside the insistence of the UK that no more money should be released until its budget problem is resolved.

The two-day meeting left a series of urgent questions unanswered. These included a failure to resolve the blockage on new EEC funding for farm development, along with a solution to the long-running battle over the levels of New Zealand butter to be allowed into the Community.

Ministers did agree, however, to Commission proposals to cut back imports of frozen beef, and young cattle for fattening.

GM has record earnings

By Terry Dodsworth in New York

GENERAL MOTORS, the world's largest motor company, turned in a dazzling financial last year as it comfortably broke its previous profits record to achieve net earnings of $3.7bn.

The figures, which compare with earnings of $963m in 1982, were broadly in line with expectations after a year in which the U.S. vehicle manufacturers have bounced back vigorously from the recession. Return on sales jumped from 1.6 per cent to 5 per cent as turnover rose by 24 per cent from $60bn to $76.6bn.

While earnings per share also jumped from $3.09 to $11.84, GM stressed that this figure was still lower than the record of $12.24 a share reported in 1978, when there were fewer shares outstanding.

Mr Roger Smith, chairman, and Mr James McDonald, president, also emphasised that inflation – adjusted data showed the company had a long way to go to achieve "meaningful records".

Net income in the fourth quarter was also at a record at $1.3bn or $4.11 a share, exceeding GM's previous highest figure of $1.2bn in the first three months of 1979.

World Weather

		°C	°F
Ajaccio	C	13	55
Akrotiri	C	16	61
Algiers	S	17	63
Amsterdam	C	5	41
Athens	S	14	57
Bahrain	S	22	72
Bangkok	S	30	86
Barcelona	F	16	61
Beirut	R	17	63
Belgrade	S	12	54
Berlin	F	1	34
Biarritz	R	10	50
Blackpool	S	5	41
Bordeaux	R	12	54
Brussels	F	6	43
Budapest	C	2	36
B. Aires	S	27	81
Cairo	C	23	73
Cape Town	C	19	66
Caracas	C	28	82
Casablanca	S	16	61
Copenhagen	S	3	37
Corfu	F	14	57
Dublin	C	5	41

		°C	°F
Dubrovnik	F	12	54
Faro	—	—	—
Florence	C	13	55
Frankfurt	R	5	41
Funchal	—	—	—
Geneva	R	6	43
Gibraltar	S	17	63
Guernsey	F	9	48
Helsinki	C	-1	30
H. Kong	S	13	55
Innsbruck	R	5	41
Inverness	Sl	4	39
Istanbul	C	8	46
Jersey	F	9	48
Jo'burg	—	—	—
Las Palmas	S	19	66
Lima	S	26	79
Lisbon	S	17	63
Locarno	C	6	43
London	R	7	45
Los Angeles	S	28	82
Luxembourg	F	4	39
Madrid	S	10	50
Majorca	C	16	61

		°C	°F
Malaga	S	18	66
Malta	F	15	59
Manila	S	33	91
Miami	S	24	75
Milan	Fg	1	34
Moscow	C	-10	14
Munich	Sn	0	32
Nairobi	—	—	—
Naples	D	12	54
New Delhi	S	22	72
New York	S	6	43
Nice	S	17	63
Oporto	—	—	—
Oslo	C	-2	28
Paris	C	8	46
Prague	Sl	2	36
Reykjavik	F	-2	28
Rio de J'o	S	40	104
Rome	F	15	59

		°C	°F
Salzburg	C	8	46
Seoul	S	-6	21
Singapore	R	28	82
Stockholm	C	1	34
Strasbourg	R	6	43
Sydney	C	26	79
Taipei	C	10	50
Tangier	S	17	63
[illegible]	—	—	—
Tel Aviv	C	15	59
Tenerife	S	15	68
Tokyo	S	3	37
Toronto	S	-8	18
Tunis	C	16	61
Valencia	S	21	70
Venice	C	5	41
Vienna	R	7	45
Warsaw	C	5	41
Zurich	C	7	45

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Fed chief calls for $50bn budget cut

Continued from Page 1

Volcker said: "I think we are for the moment in that position. Because of the size of the (budget) deficit and because of our dependence on foreign capital, it is difficult to get a mechanism to push interest rates down. Just to create more money, I do not think it would bring rates down and it would create danger on the international side."

Mr Volcker said that attempts to ease monetary policy either for domestic reasons or to try and reduce the value of the dollar because of the damage it was doing to export industries might be "counter-productive." That was why monetary policy had little flexibility at the moment, he added.

Mr Volcker put considerably greater emphasis than he has before on the international constraints on the Fed's freedom of action because of the need to import capital.

He suggested that the U.S. might need to import some $80bn of funds this year, equivalent to around 2 per cent of gross national product.

It would be dangerous to become dependent on these inflows "year after year," he warned, because the markets might lose confidence in U.S. economic policy and "might change the value of the dollar more suddenly than anyone would like to see."

On the outlook for budget-cutting action, Mr Volcker said we welcomed the adminstration's initiative for a $100bn downpayment of cuts but he conceded that the Fed had made its economic forecasts for 1984 on the assumption of "only limited budget action."

Mr Volcker bluntly warned that the related budget and trade deficits which the U.S. is running "pose a clear and present danger to the sustainability of growth and the stability of markets domestic and international."

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Wednesday February 8 1984

Warner Lambert profits advance

By Our New York Staff

WARNER-LAMBERT, the U.S. health care company, achieved a 15 per cent growth in net profits last year, helped by sales gains across a broad range of its products, including both prescription drugs and over-the-counter products.

Net income for the year amounted to $200m, or $2.51 a share, against $175m, or $2.20 in 1982. Sales slipped by 4 per cent from $3.2bn to $3.1bn, reflecting both the sale of the Entenmann bakery subsidiary in 1982 and the impact of *unfavourable foreign exchange* rates.

In the fourth quarter, net income amounted to $48.5m, or 61 cents a share, a gain of 16 per cent from $41.7m, or 53 cents in 1982. After adjustment to exclude non-recurring items and the effect of foreign currency translation, fourth-quarter net earnings were up by only 10 per cent over the previous year, the company added.

Fourth quarter sales increased by 5 per cent and would have been up by 9 per cent had it not been for the strength of the dollar. For the year as a whole, domestic sales were up by 13 per cent, excluding the divested businesses, while international sales were 5 per cent lower because of the dollar. Excluding exchange rate changes, international sales would have been 5 per cent higher.

Pitney Bowes posts modest improvement

By Terry Byland in New York

PITNEY BOWES, *world leader in* the manufacture of posting and mailing equipment, reports record results from continuing operations.

Final net earnings last year showed only a modest gain, from $83.1m or $2.16 a share to $86.9m or $2.23, after allowing for $30.7m losses on discontinued operations in 1983 and $10.6m in similar losses in the previous year. Sales edged up from $1.6bn to $1.4bn.

Mr George Harvey, chairman of the U.S. group, commented that it ended the year with a record order backlog that was 60 per cent up on the figure a year earlier.

Operating income for the year rose by 25.6 per cent to $117.7m or $3.01 a share, while in the final quarter of the year, income from continuing operations increased by 13 per cent to $39.4m or $1.01 a share on sales of $442.4m against $390m.

The biggest improvement came in the business equipment division, which comprises about 57 per cent of total group operations. Sales of this division's postage meters and similar office mailing products rose by 17 per cent,

Alco offer for Saxon

By Our Financial Staff

SAXON Industries, a U.S. office equipment manufacturer which is operating under Chapter 11 of the U.S. bankruptcy code, may be taken over by Alco Standard, a U.S. distribution and manufacturing concern.

Saxon's creditors' committee has agreed to recommend Alco's proposal, which will be presented to Saxon's board for approval before February 15.

The reorganisation plan is subject to satisfaction of certain conditions and the approval of the U.S. bankruptcy court.

WEST GERMAN SPORTS CAR MAKER TO EXTEND U.S. PRESENCE

Porsche poised for expansion

BY JOHN DAVIES IN STUTTGART

PORSCHE, the West German sports car maker, has set its sights on further expansion after rapidly increasing its sales, especially in the U.S., and strongly boosting its net profit.

The company is continuing to lift production and will nearly double investment this financial year, partly to set up an independent distribution network in the U.S.

Although Porsche has strengthened its financial base, Herr Heinz Branitzki, the deputy chief executive, said he believed that the owners – the Porsche and Piech families – should consider a stock exchange share placement within about five years.

Porsche, which went through a period of slowdown and rethinking several years ago, increased its net profit by 85 per cent to DM 69.6m ($25.5m) in the year to July 31.

Its sales revenue shot up 43 per cent to DM 2.1bn, with revenue from car sales showing a rather larger rise to DM 1.9bn and revenue from engineering developments, spare parts and repairs a smaller increase to DM 234m.

After being concerned a few years ago with stabilising car output at about 30,000, Porsche sold 44,800 cars last financial year, an increase of 39 per cent.

PORSCHE: SLOWDOWN AND ACCELERATION

	1978-79	1979-80	1980-81	1981-82	1982-83
Sales revenue (DM bn)	1.35	1.23	1.16	1.49	2.13
Net profit (DM m)	22.8	10.0	10.0	37.6	69.6
Total cars sold (thousands)	39.5	31.8	28.0	32.2	44.8
Car exports to U.S. (thousands)	16.8	11.8	7.8	11.5	20.2
Investment (DM m)	57.2	55.7	80.5	125.7	131.1

Source: Porsche

Sales in the U.S., by far the biggest single market, surged ahead by as much as 76 per cent. Sales in West Germany rose a relatively modest 16.4 per cent – still outstripping the 13 per cent overall increase in the domestic car market – while sales elsewhere, notably in the UK and France, increased by 20.8 per cent.

With factory output continuing to expand, Porsche boosted sales in the five months to the end of December to 19,000, up 12.6 per cent on a year earlier, while sales revenue was 26 per cent ahead at more than DM 1bn.

Herr Branitzki said that Porsche, which invested DM 131m last financial year, would spend about DM 250m a year on investment during the next few years.

About DM 60m of the current financial year's investment will go towards setting up a 100 per cent-owned company in the U.S. to import and arrange distribution of Porsche cars.

At the end of August, Porsche is pulling out of the contract under which it has shared a U.S. distribution network with Volkswagen's Audi division since 1970.

Herr Peter Schutz, the German-born American who took over as Porsche's chief executive three years ago, said the new U.S. company would be based at Reno, Nevada, which had tax advantages and was close to the big Porsche markets of California and Texas.

He said that Porsche expected increased competition in the U.S. prestige car markets and felt it must cultivate its clientele in a way which could not be done in co-operation with a mass-production car maker.

Herr Schutz said that Porsche would outline financial details to potential U.S. dealers next week. The Porsche/Audi distribution network has more than 320 dealers.

The U.S. distribution change would not affect the close relationship with Volkswagen/Audi in West Germany, he said. While some Porsche cars are produced at Zuffenhausen, more than half are made at the Audi plant at Neckarsulm.

Herr Schutz said Porsche had no intention of producing a car in the U.S. "We are not thinking of going outside the Stuttgart area," he said.

Herr Branitzki said he expected that well over half of the DM 69.6m net profit from last financial year would be transferred to the company's reserves and a smaller amount paid as dividend.

Strong divisional growth lifts CBS

By Our New York Staff

CBS, the U.S. broadcasting, music and publishing group achieved a 26 per cent gain in after-tax operating earnings last year, after strong performances by its three main divisions.

Net income on a continuing basis amounted to $187.2m, or $6.31 a share, against $148.4m, or $5.29 in the previous year. Final net earnings, however, showed a much greater jump, from $ 110.8m or $3.95 a share, to $187.2m, or $6.31, because of a loss on discontinued operations in 1982.

Mr Thomas Wyman, chairman, said that profits had been depressed by a higher effective tax rate and higher foreign exchange losses. These had reduced the impact of the 32 per cent rise in pre-tax operating profits, but the company had still achieved a "substantial" turnround during the year.

This improvement was a result of decisions to restructure certain businesses, the success of some products and the emphasis on effective cost management, he said.

Revenues for the year were up 10 per cent from $4.12bn to $4.54bn, and in the fourth quarter rose by 16 per cent from $1.22bn to $1.42bn. Fourth-quarter income from continuing operations was up by 42 per cent from $54.3m to $77.3m, and rose at the net level from $37.4m, or $1.33 a share, to $77.3m, or $2.61.

On a divisional basis, the records group showed the sharpest turnround, with profits increasing fivefold to $109.4m.

The CBS/Columbia group, however, reported a loss of $15.7m, mainly because of write-offs in the video games division when the group decided to abandon this market.

Sears Roebuck sets earnings record as sales rise sharply

BY WILLIAM HALL IN NEW YORK

SEARS ROEBUCK of the U.S., the world's biggest retailer, had its best year in 1983 with net income rising 56 per cent to $1.34bn on revenues a fifth higher at $35.88bn.

Mr Edward R. Telling, Sears' chairman and chief executive, said all four established Sears business groups' exceeded their targets for 1983.

Sears' merchandise group, which accounts for over two thirds of group revenues, accounted for the bulk of the improvement, with net income rising 81 per cent to $781.4bn on revenues 21 per cent ahead at $25.09bn.

However, the rapid quarter-on-quarter growth which characterised the early part of 1983 for Sears was slowing by the year end. Fourth-quarter net income rose by 27 per cent to $582.7m on revenues 22 per cent up at $10.82bn.

For the full year, Sears earned $3.80 per share, compared with $2.46 in 1982.

Although Sears has been diversifying into financial services, it was the strength of its traditional retailing operations which produced the strong performance last year. Mr Telling said improved gross margins and tight control of expenses played an important role.

Allstate Insurance increased its net income by 17 per cent to $555.1m in 1983, and Dean Witter Financial Services nearly quadrupled its net income to $100m.

Coldwell Banker, the real estate group acquired, like Dean Witter, in 1981, reported a 7 per cent drop in net income to $48m and the newly formed Sears World Trade lost $12.1m on revenues of $79.1m in its first full year of operations, mainly reflecting start-up costs.

Government contracts boost Lockheed results

BY TERRY DODSWORTH IN NEW YORK

LOCKHEED, the U.S. aerospace company soared to record profits in 1983 as its predominantly government-based sales rose by 161 per cent and interest expenditure was virtually halved.

As reported in later editions yesterday, net earnings amounted to $262.8m, or $4.18 a share, a rise of 26.8 per cent from $207.3m, or $3.65 a share in 1983. The gain in earnings was particularly strong in the fourth quarter, when net profits rose by 33 per cent from $62.9m to $83.6m.

Sales for the year increased from $5.6bn to $6.3bn, and for the quarter were up from $1.7bn to $1.9bn.

Only a year ago, Lockheed emerged from a long period of struggling with declining profitability, which ended with the abandonment of the loss-making L-1011 TriStar commercial aircraft programme. Since then, its activities have been concentrated on military aircraft, missiles and space activities.

Mr Roy Anderson, chairman, said yesterday that the biggest improvement in sales and profits last year had been achieved by the aircraft and related services programmes. Total trading profit amounted to $527.4m against $475m, and this improved performance was boosted by a fall in interest payments from $129.8m to $66.2m.

Iveco-Unic loss forces board to plan cost cuts

BY OUR PARIS STAFF

IVECO-UNIC, the French subsidiary of the Fiat-owned Iveco truck group, will report losses of more than FFr 250m ($29.4m) for 1983 compared with a slim profit of FFr 2.3m in 1982.

M Francois Marc, the chief executive of the French Iveco subsidiary, warned yesterday that the company was now forced to consider measures to halt the losses. However, he said no decision had been taken on the restructuring action required in France or on the eventual closure of one of Iveco's three French plants.

Since the Iveco group was formed in 1975, the French subsidiary has accumulated losses of FFr 652.5m between 1975 and 1982. The latest heavy losses for 1983 will increase the overall total to more than FFr 900m.

The severe recession in the French and European truck market and especially the fierce pricing war between truck makers in France contributed to Iveco's heavy deficit last year. For its part, Renault's truck subsidiary, Renault Vehicules Industriels (RVI), is expected to report losses of more than FFr 1bn this year and has already warned that it would again have to reduce its workforce.

Iveco is the second largest truck producer in France after RVI with a medium-sized lorry assembly plant, a coach plant and an engine plant. In terms of domestic market share, Iveco came third on the French market last year with 19.8 per cent, trailing Mercedes with 20.3 per cent and RVI with 36.1 per cent.

The sales of Iveco's French subsidiary totalled FFr 3.6bn last year compared with FFr 3.2bn in 1982. The company exports 35 per cent of its French turnover to other European markets.

During the last five years, Iveco-Unic has reduced its workforce in France from 6,661 people to 4,699 at the end of last year.

Recovery maintained at IC Industries

BY OUR FINANCIAL STAFF

IC INDUSTRIES, the Chicago-based railway company which has diversified into consumer and commercial products, has maintained its recovery since the sharp reverses of 1981 and early 1982.

Fourth-quarter earnings almost doubled, from $25.4m to $50.3m, lifting the total profit for 1983 to $95m from $67.4m previously.

The 1983 results include pre-tax gains of $9.9m from foreign currency adjustments and $35.1m from the sale of its 24.5 per cent stake in Trane, the air conditioning equipment group. The previous year's figures took in pre-tax gains of $2.2m from currency adjustments and $63.5m from the sale of tax benefits.

Revenues were relatively static, totalling $1.03bn against $968.3m for the latest quarter and $3.73bn against $3.66bn for the full year.

Earnings per share for 1983 were $4.88 primary and $4.38 diluted, compared with $3.46 and $3.16

Budweiser brewer has record year

By Our Financial Staff

ANHEUSER-BUSCH, brewer of Budweiser, America's biggest-selling beer, has achieved record profits, with earnings for 1983 surging from $287.3m to $347.9m, or from $5.97 a share to $6.50.

The pace of growth slowed in the final quarter, however, earnings increasing by only $8.2m to $67m, or by 13 cents to $1.12.

Full-year sales rose from $5.18bn to $6.66bn with fourth-quarter returns rising from $1.35bn to $1.64bn.

Results for 1982 included a non-recurring gain of $13.3m or 30 cents a share from the sales of a corn refining plant.

Ems-Chemie confident

BY JOHN WICKS IN ZURICH

EMS-Chemie Holding, the Swiss parent company of the EMS group, is expecting a "marked improvement in profitability" for the business year ending April 30. In the first nine months, group sales have risen by 10 per cent and earnings by 22 per cent.

In 1982-83, consolidated cash flow had dropped to SwFr 22m ($9.9m), and parent-company net profits to only SwFr 1.9m. At its last general meeting, in October, the board successfully called for the dividend to be omitted.

Although business is now much better in plastics and fibres, EMS's chemical-engineering operations continue to run at a loss. The deficit will be less than in the past business year, when a SwFr 15m shortfall had to be financed from unpublished reserves.

● Unikeller a leading European producer of sound insulation material, increased its sales last year by over 7 per cent to SwFr 280m. Of that, a share of 81 per cent was accounted for by foreign subsidiaries.

Heavy charges hit Kerr-McGee

BY OUR FINANCIAL STAFF

NET EARNINGS of Kerr-McGee, the Oklahoma-based energy company plunged 76 per cent in the fourth quarter of 1983.

After more than doubled non-recurring charges of $25.6m, profit fell from $73.52m to $17.14m, or from $1.39 to 33 cents a share. This left the full year total sharply down from $209.76m to $118.41m, or from $3.98 to $2.24m a share, after non-recurring costs of $26.5m and a $10.3m extraordinary gain.

Sales for the final three months were 9.5 per cent lower at $923.3m, for a year's total of $3.51bn, against $3.78bn.

The charges for 1983 related to provisions for decommissioning a rare earth and thorium plant, and against losses on receivables and inventories from the company's 1982 deep well drilling and settlement litigation concerning uranium royalties. The gain came from the sale of property and certain insurance recoveries.

Rescue bid for fishing group

By Robert Gibbens in Montreal

NATIONAL Sea Products, a major Canadian east coast trawling and fish processing group, will receive about C$55m (U.S.$44m) of new equity to enable it to survive a debt crisis. A private group led by Sobey interests of Halifax, Nova Scotia, will become the largest single shareholder.

The Federal Government and the Bank of Nova Scotia had held about 56 per cent of National Sea as a result of previous rescue operations. This will fall to about 34 per cent under restructuring.

French chemicals show cautious optimism

BY PAUL BETTS IN PARIS

THE FRENCH chemicals industry saw its sales rise to about FFr 230bn ($27.3bn) last year from FFr 202bn in 1982, but is expected to show earnings of only about FFr 2.3bn for 1983.

The net earnings for the sector as a whole, equivalent to 1 per cent of sales, are marginally higher than those reported by the industry in 1982. They include a total loss of FFr 3.5bn for the recently nationalised and reorganised French heavy chemicals industry around the state-controlled Elf-Aquitaine oil group.

The industry's overall performance last year was better than expected but still short of the recovery experienced last year by France's main international competitors, M Jean-Claude Achille, president of the French chemicals industries' union and a former managing director of the Rhône-Poulenc group, said yesterday in his annual review of the sector.

He warned that if France was to take full advantage of the recovery in western chemical markets this year, it would have to remove a number of handicaps continuing to shackle the domestic industry. In particular, he called for the speedy liberalisation of French chemicals products prices and more competitive gas and electricity prices for the industry.

Although 40 per cent of all French chemicals products are expected to be freed from government price controls in the coming weeks, the burden of price controls cost the industry between FFr 1.5bn and FFr 2bn last year, M Achille estimates.

The French chemicals industry continues to suffer from a particularly heavy burden of debts, with debt service charges last year totalling nearly FFr 10bn, or the equivalent of 4 per cent of industry sales. Moreover, the industry spent more on debt charges last year than investment.

Investment rose by about 10 per cent last year over 1982 but barely totalled FFr 8bn for the industry as a whole. With few major French companies envisaging major modernisation programmes this year, the lack of sufficient investment spending could weaken the industry in coming years.

At the same time, the poor profitability of French companies and their unsatisfactory cash flows are undermining their competitiveness. M Achille said French chemical companies had in terms of cash flow about FFr 5bn less to spend on investment and research than their main European rivals.

The industry, which employed 286,000 people in 1982, saw its workforce drop by 2 per cent to total 280,000 people at the end of last year. The industry is forecasting a further 2 per cent fall in jobs during the current year or the equivalent of 5,000–6,000 people. However, the job cuts will be concentrated in a limited number of companies and affect heavy chemicals groups like the newly formed Atochem subsidiary of Elf-Aquitaine and CDF Chimie, the chemicals arm of the French coal board.

The French labour unions have painted a bleaker picture on the job front claiming that about 16,000 jobs were now threatened in the industry.

The chemicals industry's output in France grew 3.8 per cent last year or at a rate well above French industrial production and gross domestic product. M Achille said the industry had expected growth of around 1 per cent for 1983.

Most of this growth was due to exports, which increased in volume by 8 per cent over the previous year

2nd MARCH 1984 REDEMPTION

PROVINCE OF NEWFOUNDLAND

U.S.$20,000,000 8½% Bonds 1986

DRAWING OF BONDS

Notice is hereby given that a drawing of bonds of the above loan took place on 20th January 1984 attended by Mr. William Brignall Kennair of the firm of John Venn & Sons, Notary Public, when 2,000 bonds for a total of U.S.$2,000,000 nominal capital were drawn for redemption at par on 2nd March 1984, from which date all interest thereon will cease.

The nominal amount of this loan remaining outstanding after 2nd March 1984 will be U.S.$ 4,000,000.

The following are the numbers of the bonds drawn:

3	33	41	44	52	209	214	224	227	513	514	515	517	524	532	544	556	557	565	572
595	603	611	625	651	659	665	672	674	722	747	748	816	819	824	835	836	851	867	875
878	879	882	885	891	897	903	908	909	912	914	963	1065	1081	1083	1108	1215	1221	1241	1245
1246	1259	1262	1268	1288	1299	1306	1326	1334	1346	1356	1360	1363	1365	1366	1367	1378	1379	1385	1391
1419	1512	1531	1557	1559	1566	1567	1570	1579	1585	1593	1604	1613	1615	1621	1627	1628	1634	1641	1644
1675	1720	1727	1728	1731	1808	1810	1818	1836	1850	1854	1889	1892	1955	1971	1984	2094	2097	2102	2110
2112	2121	2125	2133	2134	2147	2152	2169	2173	2179	2182	2220	2222	2225	2227	2280	2282	2285	2336	2344
2345	2355	2359	2368	2369	2370	2372	2583	2590	2591	2623	2626	2627	2635	2641	2675	2678	2679	2681	2684
2691	2700	2708	2717	2742	2744	2745	2756	2775	2777	2783	2785	2787	2794	2795	2814	2823	2826	2830	2846
2854	2915	2920	2949	2959	2960	2961	2978	2990	3002	3028	3057	3072	3074	3080	3096	3098	3107	3109	3119
3130	3133	3138	3150	3165	3169	3176	3179	3194	3197	3204	3208	3215	3222	3223	3230	3243	3257	3262	3264
3274	3295	3297	3306	3315	3318	3339	3428	3429	3465	3466	3467	3485	3487	3488	3494	3537	3540	3546	3548
3549	3552	3566	3571	3574	3577	3578	3581	3600	3616	3634	3639	3640	3658	3667	3684	3686	3705	3708	3713
3718	3720	3728	3730	3760	3767	3780	3783	3855	3861	3870	3872	3916	3918	3969	3990	3996	4016	4019	4069
4077	4078	4082	4085	4090	4101	4149	4151	4155	4214	4220	4221	4222	4223	4278	4282	4283	4285	4323	4325
4347	4381	4387	4389	4393	4405	4407	4412	4417	4419	4435	4443	4450	4451	4472	4478	4484	4489	4490	4497
4499	4503	4510	4518	4528	4529	4538	4562	4583	4585	4604	4607	4626	4630	4635	4639	4646	4649	4662	4664
4675	4685	4690	4693	4708	4723	4754	4756	4759	4775	4777	4783	4799	4803	4815	4875	4910	4914	4921	4936
4937	4939	4945	4967	5003	5010	5019	5023	5033	5034	5036	5040	5042	5049	5054	5056	5094	5095	5098	5112
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5272	5278	5286	5287	5292	5293	5308	5309	5316	5319	5331	5333	5337	5339	5340	5341	5346	5350	5365	5373
5375	5379	5380	5393	5397	5507	5518	5523	5532	5538	5547	5548	5559	5560	5566	5571	5574	5577	5588	5589
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17441	17445	17446	17458	17462	17465	17472	17473	17475	17483	17487	17494	17520	17532	17534	17535	17547	17548	17563	17569
17571	17574	17579	17583	17584	17589	17605	17612	17615	17618	17619	17625	17634	17647	17653	17664	17665	17668	17689	17712
17713	17715	17717	17719	17720	17732	17746	17749	17751	17753	17754	17778	17783	17786	17795	17798	17801	17802	17804	17807
17827	17829	17833	17835	17860	17886	17887	17891	17893	17894	17899	17905	17906	17909	17914	17918	17931	17933	17936	17939
17940	17964	17975	17982	17997	18025	18046	18053	18054	18061	18115	18125	18126	18134	18167	18169	18171	18172	18174	18178
18179	18190	18197	18205	18217	18230	18241	18243	18261	18276	18291	18293	18332	18348	18349	18353	18354	18357	18360	18370
18383	18388	18394	18404	18408	18413	18422	18429	18439	18444	18451	18457	18473	18478	18490	18497	18509	18519	18530	18534
18542	18544	18547	18548	18555	18560	18563	18564	18566	18567	18571	18575	18578	18579	18581	18591	18599	18612	18619	18627
18632	18636	18639	18644	18655	18660	18662	18668	18670	18684	18696	18700	18710	18712	18723	18728	18734	18737	18741	18749
18756	18757	18761	18769	18773	18784	18792	18813	18822	18824	18843	18853	18864	18883	18884	18892	18898	18901	18902	18903
18908	18920	18958	19001	19012	19023	19030	19037	19041	19042	19043	19046	19047	19054	19058	19060	19063	19064	19066	19067
19068	19069	19072	19082	19085	19093	19097	19109	19115	19117	19145	19146	19154	19160	19162	19173	19176	19193	19200	19237
19242	19251	19269	19272	19273	19280	19284	19286	19289	19299	19300	19304	19309	19310	19316	19322	19325	19331	19338	19340
19356	19359	19374	19386	19392	19400	19402	19406	19412	19413	19419	19421	19434	19438	19439	19446	19450	19459	19473	19476
19511	19513	19522	19524	19526	19532	19535	19544	19558	19560	19567	19570	19574	19578	19582	19583	19587	19592	19593	19598
19599	19604	19612	19613	19616	19623	19626	19627	19629	19633	19634	19641	19655	19661	19662	19678	19682	19687	19688	19694
19699	19707	19712	19718	19720	19731	19736	19739	19740	19746	19750	19757	19768	19774	19783	19789	19795	19796	19798	19821
19847	19870	19872	19877	19880	19882	19883	19889	19902	19904	19906	19914	19915	19916	19937	19943	19950	19970	19982	19999

Witness: W. B. Kennair, Notary Public.

The above bonds may be presented for redemption at par on or after 2nd March 1984 at the offices of the paying agents named on the coupons for *payment in the manner specified in Condition 5 of the Terms and Conditions of the bonds. Each of these bonds when presented for redemption* must bear the coupon dated 2nd March 1985, and subsequent coupon, otherwise the amount of the missing coupons will be deducted from the sum to be repaid.

Principal Paying Agent: N. M. Rothschild & Sons Limited, New Court, St. Swithin's Lane, London EC4P 4DU.

8th February 1984

INTL. COMPANIES & FINANCE

Task of reform grips the Securities Commissioner from London

Fell works out Hong Kong rules

BY ROBERT COTTRELL IN HONG KONG

WHEN ROBERT FELL, then chief executive of the London Stock Exchange, was "borrowed" by Hong Kong in November, 1981 to be its acting Commissioner for Securities, there seemed little doubt that the loan would be short-term. Mr Fell himself was quite definite: "*I'll be in Hong Kong six* months," he said shortly before leaving London, "I've got a job to do here."

Somehow, Mr Fell's six-month stand-in contract has metamorphosed into what looks likely to prove a tenure of up to five years as regulator of Hong Kong's stock and commodity markets. Mr Fell thinks that he will probably hold the job until 1986, by which time he will have overseen the gathering of Hong Kong's four stock exchanges into a single entity, and pioneered disclosure standards for shareholdings and corporate transactions which *offer fundamentally to change* the character of the stock market. Currently, nominee corporate ownership and minimal disclosure of corporate activities are commonplace.

Mr Fell was 60 when he moved to Hong Kong in 1981. He maintained at the time that he was too old to be starting a new career in a new country. "That was true when I said it," explains Mr Fell now—but it did not take very long before he found Hong Kong taking a grip on him. As Securities Commissioner in the territory, he would face the challenge of transforming one of the world's *least disciplined major stock* markets into an institution recognising the virtues—according to Mr Fell's philosophy—of diligent self-regulation. When Sir John Bremridge, Hong Kong's Financial Secretary, and Sir Murray (now Lord) MacLehose, the then Governor, invited him to stay permanently, he was inclined to accept.

"*I went back that Christmas* (1981)," recalls Mr Fell, "and talked it over with Nicholas Goodison. As chairman and chief executive respectively of the London Stock Exchange, Sir Nicholas Goodison and Mr Fell were then embroiled in a long and now-settled restrictive practices case brought by the British Government's Office of Fair Trading. If Sir Nicholas had wanted to retire that year from the chairmanship of the stock exchange, Fell would have felt obliged to stay in London to provide managerial continuity. Sir Nicholas, however, did want to continue. So, says Fell, "it was a reasonable point to make a break then, and to return to *Hong Kong on* a long-term basis."

Hong Kong's business district and Mr Robert Fell, the stock and commodity markets regulator

The office which he inherited in Hong Kong—his predecessor, Mr Uisdein McInnes, had resigned—was in need of a firm and experienced hand. It lacked a systematic approach to market regulation, tackling occasional abuses and sometimes failing to correct them. There was little *quality control on stock market* listings, and there were plenty of merchant bankers willing to advise clients on how to breach the spirit of the takeover code.

In extreme cases, the Commissioner for Securities could de-register a stockbroker or investment manager, effectively barring him from working in the territory. Otherwise, particularly *in respect of companies*, the Commission could do little except persuade. Since it commanded little respect, its persuasion carried little weight.

In a runaway bull market like 1980-81, regulators were regarded as "wet blankets." Only in 1982-83, as a bear market brought local companies and traders under financial *strain, did it become clear how* far, in the absence of effective controls, corporate and professional standards had been allowed to slip.

The first problem to be tackled by Mr Fell early in 1982 was the inadequacy of the Securities Commission's resources. "On paper, we should have been doing all sorts of things," *he* says, "but, *in* fact, we hadn't got the means to match the job . . . we couldn't move on to greater disclosure while we didn't have the mechanism to deal with just the paperwork that disclosure demands . . . there's no point in having a stream of telexes coming in from com*panies if there's nobody fit to* read the telexes and get them out in company announcement form."

"The biggest difference from London," he notes, "is the absence of a strong bureaucracy in the stock exchanges themselves, able to deal professionally with these sorts of company matters."

Mr Fell hired 20 qualified staff—doubling the commission's professional complement. The new recruits have, he says, "*meant that* we were able to deal with things like Carrian and Eda (two major local bankruptcies) without losing too much breath." He believes that, properly staffed-up, the Securities Commission is now more likely to command the respect of companies and advisers needed if self-regulation is to work.

He also considers that "there is a realisation among the merchant banks that the heady old days were dangerous and have gone. *Their international* name depends on their behaviour here just as much as their behaviour in London and elsewhere. So I think there is a phase which we have gone through which we won't be going back into."

Mr Fell's major contribution to regulation of securities trading in Hong Kong is likely to prove to be the *disclosure* provisions which he is piloting through a three-year phased introduction, beginning with interim guidelines this year. While the eventual disclosure legislation will address itself to significant shareholdings in public companies, the Commissioner is if anything more concerned *that companies* should make immediate announcements about large transactions. "Some boards," he says, "regard the company as their personal property, and forget that it is a public company and the shareholders are joint owners. Disclosure would help to change that sort of attitude where it needs changing."

In 1982-83, Hong Kong saw a *half-dozen* collapses of deposit-taking companies, a dozen commodity brokers struck off, two major corporate bankruptcies, and one banking collapse. Mr Fell remains sanguine. The decade to 1981 in Hong Kong was "an economic boom—for the nearest UK approach you would have *to go back to the last century.*" Such a period will generate its "excesses," particularly in its closing phase, when companies and individuals become overconfident that economic expansion will always continue, and build it into their expectations.

Regulators of the Hong Kong markets, "perhaps weren't ready for that type of excess, had no experience of it." But, says Mr Fell, the striking fact is not how many concerns in Hong Kong ran into trouble, but how few. Most property companies survived, the shipping companies survived, despite their respective market downturns. "The historian of the future," he suggests, "is likely to say that the failure rate was remarkably small."

INTERNATIONAL COMPANIES and FINANCE

Marginal rise in earnings at Fuji Photo

By Yoko Shibata in Tokyo

FUJI PHOTO FILM, Japan's largest manufacturer of films, with 70 per cent of the domestic market, has reported only a marginal gain of 2.4 per cent in group net profits to Y58.51bn ($251m) for the year to October 20.

Group sales were 7.9 per cent higher at Y633.6bn and net profits per share were Y158.39, compared with Y156.05. The parent company contributed net profits of Y49.16bn (up by 3.7 per cent) to the group results and sales of Y545.06bn (up by 6.7 per cent).

Sales of cameras and films rose by 8.5 per cent to account for 49.5 per cent of the total supported by the company's strong domestic market share, but despite an increase of 30 per cent in volume sales, the value of VCR tape sales was hit by competition from other Japanese manufacturers. As a result sales by the magnetic tape sector, including VCR tapes, audio tapes, floppy discs, and memory discs, rose by only 5.8 per cent to account for 11.9 per cent of the total.

Sales of products for business use, including X-ray films, cinema films, and computer radiography films rose by 7.7 per cent to account for 38.6 per cent of the total domestic sales advanced by 4 per cent to account for 66.3 per cent while overseas sales were up by 15.4 per cent.

The company says that lower sales prices, higher silver costs, sales expenditure, and R and D costs, and a currency devaluation in Brazil slowed down the growth in earnings.

However, Fuji has been actively investing in expanding production capacity of magnetic products, and a joint venture has been set up in Holland with Rank Xerox to manufacture photo sensitive papers.

To raise funds for domestic capital investment the company issued Y30bn of unsecured convertible debentures in July, and for the construction of plant in Holland, the company floated Fl100m of convertible bonds in the same month.

Fuji says that a tendency towards saturation in the photo-products market and intensified price competition in magnetic products such as VCR tapes are both in sight in the current year and it is trying to shift the emphasis of sales to electronics related products

Consolidated net profits are projected at Y60bn for 1983-84 up by 2.5 per cent, on sales of Y700bn, up by 10.5 per cent.

Bell chief claims control of Weeks

BY OUR FINANCIAL STAFF

MR ROBERT HOLMES à Court, chairman of Bell Group the Australian industrial, investment and resources company, claimed yesterday that his recently acquired 46 per cent stake in Weeks Petroleum amounted to effective control of the company. He also announced that Bell Resources, now a 64 per cent owned subsidiary of the group, would be signing an agreement to purchase a 5 per cent stake in two newly-formed Australian coal consortia this week.

Mr Holmes à Court spoke in Melbourne following a meeting of the board of Weeks Petroleum—the Bermuda based exploration company. "I regard 46 per cent as full control. The board has been restructured as anticipated and I have been formally elected chairman" he said.

In Connecticut yesterday, Mr Woody Knight, who remains as managing director of Weeks after relinquishing the chairmanship, confirmed that there had been six resignations from the board.

Among those to leave are Mrs Marta Weeks and Mr Edward Bliss, who represented the Weeks family interests on the board, and Mr Mark Burrell, a director of Lazard Borthers, the London merchant bank. It is understood that Lazards will no longer act as the group's financial adviser.

In Miami, Mrs Weeks said the family had sold to Mr Holmes à Court about half of its holding of 20m shares in Weeks. She said the family intended to retain its remaining stake, which amounts to about 17 per cent of the issued share capital.

Mr Holmes à Court said his group had bought the Bermuda registered shares in Weeks for £5 each and paid somewhat less on the London stock market in a series of dawn raids last week.

As to the investment in the two newly formed Australian coal consortia—New Central Queensland Coal Associates and the Gregory joint-venture, both of which are being led by Broken Hill Proprietary—he said: "Negotiations are on track and I am confident we will be signing an agreement this week with BHP for the 5 per cent."

Bell Resources (formerly Wigmores) is also negotiating with General Electric of the U.S. to take a further 5 per cent stake in the two ventures. These talks were "practically complete" said Mr Holmes à Court. Bell Resources has an option to purchase the extra 6 per cent at A$27m for each 1 per cent stake.

The outlook for the coal consortia was "bearish in the short term," claimed Mr Holmes à Court. "We are taking the view that they are going to have a very slow start but the high quality deposits and mines are a long term proposition," he said.

For the time being Weeks Petroleum will not be brought under the Bell Resources umbrella—at present the Weeks stake is held by the Bell Group.

Weeks Petroleum has a controlling interest in Weeks Australia which is a 10 per cent stake-holder in the promising Jabiru oil field, which is operated by BHP. Weeks Petroleum has a direct stake in the neighbouring Eclipse number one well.

North American quarterly results

G. HEILEMAN BREWING	1983	1982
Fourth quarter	$	$
Revenue	296.0m	226.4m
Net profits	10.9m	9.6m
Net per share	0.41	0.36
Year		
Revenue	1.33bn	1.06bn
Net profits	56.9m	45.7m
Net per share	2.15	1.73

IMASCO	1983-4	1982
Third quarter	C$	C$
Revenue	734.2m	700m
Op. profits	57.96m	42.48m
Op. per share	1.22	1.09
Nine months		
Revenue	2.22bn	2.08bn
Op. profits	154.74m	125.64m
Net per share	3.25	2.87

MARRIOTT CORPORATION	1983	1982
Fourth quarter	$	$
Revenue	948.8m	792.6m
Net profits	31.0m	25.1m
Net per share	1.11	0.91
Year		
Revenue	3.04bn	2.54bn
Net profits	115.2m	94.3m
Net per share	4.15	3.46

McGRAW-HILL	1983	1982
Fourth quarter	$	$
Revenue	365.5m	329.8m
Net profits	36.57m	30.68m
Net per share	0.73	0.62
Year		
Revenue	1.3bn	1.19bn
Net profits	126.48m	110.02m
Net per share	2.52	2.20

NICOR	1983	1982
Fourth quarter	$	$
Revenue	585.2m	519.2m
Net profits	8.6m	†8.8m
Net per share	0.26	†0.41
Year		
Revenue	2.24bn	2.17bn
Net profits	49.8m	86.0m
Net per share	1.66	3.30

† Loss

NORTH AMERICAN PHILIPS	1983	1982
Fourth quarter	$	$
Revenue	1.12bn	849.5m
Net profits	37.1m	29.73m
Net per share	2.58	2.14
Year		
Revenue	3.8bn	3.17bn
Net profits	95.71m	73.58m
Net per share	6.75	5.33

PANHANDLE EASTERN	1983	1982
Fourth quarter	$	$
Revenue	972.1m	876.1m
Net profits	41.88m	35.37m
Net per share	0.99	0.85
Year		
Revenue	3.40bn	3.68bn
Net profits	152.4m	219.9m
Net per share	3.64	5.36

PRENTICE-HALL	1983	1982
Fourth quarter	$	$
Revenue	133.7m	117.6m
Net profits	14.7m	12.8m
Net per share	1.48	1.29

SCOTT PAPER	1983	1982
Fourth quarter	$	$
Revenue	673.4m	551.2m
Net profits	35.4m	4.11m
Net per share	0.71	0.06
Year		
Revenue	2.46bn	2.29bn
Net profits	123.7m	74.5m
Net per share	2.58	1.61

SHERWIN-WILLIAMS	1983	1982
Fourth quarter	$	$
Revenue	469.4m	434.6m
Net profits	7.3m	5.1m
Net per share	0.31	0.21
Year		
Revenue	1.57bn	1.85bn
Net profits	55.4m	42.9m
Net per share	2.32	2.02

USF & G	1983	1982
Fourth quarter	$	$
Revenue	644.46m	591.35m
Net profits	118.8m	19.45m
Net per share	4.39	0.67
Year		
Revenue	2.39bn	2.31bn
Net profits	276.2m	103.92m
Net per share	9.72	3.62

U.S. GYPSUM	1983	1982
Fourth quarter	$	$
Revenue	437.5m	341.5m
Net profits	28.3m	15.51m
Net per share	1.68	0.93
Year		
Revenue	1.61bn	1.32bn
Net profits	80.32m	43.89m
Net per share	4.77	2.61

C and W lifts Telephone stake

BY ROBERT COTTRELL IN HONG KONG

CABLE AND WIRELESS, (C and W) the British telecommunications group, bought more shares in the Hong Kong Telephone Company yesterday in an apparently unsuccessful attempt to push its shareholding over 50 per cent. Cable and Wireless announced on Monday that it owned 38.4 per cent of Telephone, and that it would make a general offer of HK$46 per share for all outstanding shares, valuing the company at HK$5.36bn (U.S.$687m).

Local brokers estimated that yesterday's buying in Hong Kong probably took the C and W stake to between 40 and 45 per cent of Telephone's equity, and they expected the purchases to continue in London trading. Hong Kong takeover rules allow C and W to buy shares through the stock market while its general offer is pending, providing it does not pay more than the HK$46 per share general offer price. Telephone shares closed yesterday in Hong Kong at HK$46.

Sir Edward Youde, the Governor of Hong Kong, yesterday said of the bid that "we naturally welcome the kind of commitment which Cable and Wireless is showing towards Hong Kong."

Cable and Wireless bought 34.8 per cent of Hong Kong Telephone for HK$1.4bn from the Hongkong Land Company in March 1983. Hong Kong Telephone holds a government franchise to own and operate Hong Kong's domestic telephone system. Cable and Wireless already operates Hong Kong's telex service and international telephone links through an 80 per cent owned subsidiary, Cable and Wireless (Hong Kong), which is 20 per cent owned by the Hong Kong government.

The Telephone bid will, if successful, increase Cable and Wireless's already extensive investments in the region.

Amoco unit for BP Australia

By Michael Thompson-Noel in Sydney

BP AUSTRALIA is negotiating with the Chicago-based Amoco Oil, a unit of Standard Oil (Indiana) to buy its 80 per cent stake in Amoco Australia, the petroleum products refiner and distributor. The price is estimated at between A$200m and A$250m (U.S.$184m and U.S.$230m).

If the deal goes through, BP Australia will add Amoco's network of about 600 service stations to the estimated 1,960 it already operates.

The acquisition would put it on a par with Shell Australia, which holds an estimated 24 per cent of the total Australian petroleum products market. It would also give BP slightly more service stations than those currently owned by the largest distributor, Caltex.

Amoco owns a 45,000 b/d refinery at Bulwer Island, Brisbane, as well as terminals in Brisbane, Townsville, Mackay, Gladstone, Sydney, Melbourne, and Adelaide.

BP has declined to indicate exactly how much the offer is worth. The other 20 per cent of Amoco Australia is owned by the State Government Insurance Office of Queensland, whose role in the negotiations, if any, has not been specified.

BP's interest in Amoco follows Amoco's takeover of Total's refining and marketing operations in a A$70m deal in late 1982.

Bad debts hit the Sarakin

BY OUR TOKYO CORRESPONDENT

LOAN DEFAULTS at Japan's consumer finance companies—known as the Sarakin—have grown rapidly, according to Nihon Keizai, a leading economic daily. The four largest Sarakin companies—Takefuji, Promise, Acom, and Lake—closed their latest financial years, with bad debts totalling Y77bn ($330m) a rise of 670 per cent. The total balance of loans of the four reached Y1,131bn, up 29.7 per cent from the previous fiscal year.

The dramatic growth in the rate of defaults reflects the drive of Japanese consumer finance companies into the loan market in the middle of last year and the sudden credit squeeze commencing in the autumn along with the enforcement of new laws to regulate the consumer loan market. The new laws made it difficult for chronic heavy debtors to continue borrowing from Sarakin.

More defaults have been seen at the medium and small consumer loan companies than the larger companies. "The ratio of bad debts to outstanding loans is estimated to be as high as 20 per cent on average.

Defaults are also increasing at the credit card and instalment payment sales companies. Credit card companies say that the ratio of delayed repayments are currently doubling compared with the last fiscal year. The situation is similar for consumer credit companies.

Orient Finance sees its bad debts doubling to Y10bn in the current year to March.

The balance of new loans extended in Japan's consumer finance industry is forecast as reaching Y5,000bn, of which 6-10 per cent will be unrecoverable. The weaker consumer loan companies fear their own collapse and the present crisis in the sector is expected to lead to a regrouping within the industry.

Sharp advance in profits at Supreme Corporation

BY WONG SULONG IN KUALA LUMPUR

AFTER two lacklustre years, Supreme Corporation, the diversified Malaysian group, has reported a sharp turnround, with pre-tax profits for half year ended December 1983 rising by 77 per cent to 12.5m ringgit (U.S.$5.3m).

There was also an extraordinary gain of 4.2m ringgit from the sale of 20 per cent of Supreme Plantation Industries late last year, making the company a 46 per cent associate instead of a subsidiary.

Supreme said the good results were achieved because of a general recovery in the Malaysian economy, and in particular, the agricultural-based sector.

The property division also benefited from an upward trend in demand for residential houses, and the finance division performed satisfactorily despite intense competition.

Second half profits are expected to be as buoyant as those of the first.

Supreme is controlled by Mr Tan Koon Swan, a prominent Chinese businessman and politician, who is expected to bid for the leadership of the Malaysian Chinese Association, the Chinese partner in the government, in June.

Shares in Supreme have been actively traded in Kuala Lumpur and Singapore in the past month, and their price has moved from 1.8 ringgit to over 2.4 ringgit in anticipation of the good results.

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Aberfoyle Plantations Public Limited Company. The directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the directors accept responsibility accordingly. The document does not of itself constitute an offer or invitation to any person to subscribe for or to purchase any securities of Aberfoyle. Application has been made to the Council of The Stock Exchange for all the shares of Aberfoyle to be admitted to the Official List.

ABERFOYLE PLANTATIONS PUBLIC LIMITED COMPANY

(Incorporated in England under the Companies Act, 1929 No. 295525)

Share capital assuming full implementation of the Proposals

The share capital comprises:

	Authorised	Issued and fully paid
Shares of 8p each	£3,200,000	£2,577,964

There are outstanding 7,775,451 authorised but unissued shares, representing 19.4% of the authorised share capital. Subject to the requirements of The Stock Exchange, this balance is at the disposal of the directors, free of statutory pre-emption rights, but the directors have at present no plans to issue any of these shares. No issue of shares of Aberfoyle which would effectively alter the control of Aberfoyle will be made without the prior approval of Aberfoyle in General Meeting and no material issue of shares of Aberfoyle other than to shareholders pro rata to existing holdings will be made within one year of the date of this document without such approval.

Indebtedness

As at the close of business on 27th January, 1984, the enlarged Aberfoyle group had outstanding indebtedness as follows:

Bank loans (secured by a mortgage over the tea estate)	Z$1,780,348	(£1,120,000)
Unsecured loan stock		£600,000
Bridging loan (secured by charge over GMHUK shares)		£535,625
Bank overdrafts (secured by deeds of hypothecation over freehold properties of subsidiaries)	Z$255,833	(£161,000)

(i) *By a guarantee dated 21st October, 1983 GMHL has guaranteed the repayment by* Masimba to a subsidiary of Guthrie of loans of Z$1,855,078.

(ii) By a guarantee dated 31st March, 1983 GMHL Holdings (Pvt) Limited guaranteed to the Standard Bank PLC Masimba's overdraft up to a limit of Z$100,000 plus interest.

(iii) A subsidiary of GMHL has guaranteed the overdraft of an employee up to Z$45,000 plus interest.

Save as disclosed above and apart from inter-company liabilities, the enlarged Aberfoyle group did not have at that date any loan capital (including term loans) outstanding, or created but unissued, or any mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, guarantees and other material contingent liabilities.

Directors	Ian Laurence Coates (chairman and chief executive) Northfield, Berks Hill, Chorleywood, Hertfordshire
	William Anthony Kevin Igoe 27 Nigels Lane, Highlands, Harare, Zimbabwe
	Brian Michael Igoe 27 Nigels Lane, Highlands, Harare, Zimbabwe (alternate Mark Francis Igoe 60 Pringle Road, Mandara, Harare, Zimbabwe)
Secretary and registered office	Linda Lebam Tubs Hill House, London Road, Sevenoaks, Kent TN13 1DR
Bankers	Lloyds Bank Plc 72 Lombard Street, London EC3P 3BT
	Barclays Bank of Zimbabwe Limited Pearl Assurance House, Samora Machel Avenue, P.O. Box 3098, Harare, Zimbabwe
Stockbrokers and financial advisers	Shaw & Co 4 London Wall Buildings, Blomfield Street, London EC2M 5NT
Auditors	Peat, Marwick, Mitchell & Co. *Chartered Accountants* 1 Puddle Dock, Blackfriars, London EC4V 3PD
Solicitors	Coward Chance Royex House, Aldermanbury Square, London EC2V 7LD
Registrars	Lloyds Avenue Registrars Limited Tubs Hill House, London Road, Sevenoaks, Kent TN13 1DR

Definitions

"Aberfoyle"	Aberfoyle Plantations Public Limited Company
"former Aberfoyle group"	Aberfoyle and its subsidiaries prior to implementation of the Proposals
"enlarged Aberfoyle group"	Aberfoyle and its subsidiaries after implementation of the Proposals
"Flamehope"	Flamehope Limited
"Flamehope group"	Flamehope and its subsidiaries
"GMHUK"	GMH Investments (UK) Limited
"GMHL"	GMHL Investments (Pvt) Limited
"Zimbabwean subsidiaries"	together Zimbabwean-incorporated companies which were formerly Guthrie's Zimbabwean subsidiaries, being GMHL Holdings (Pvt) Limited, Guthrie Masimba Holding Co. (Pvt) Limited, Associated Textiles Limited, Stansfield Ratcliffe (Pvt) Limited, Miljohn (Pvt) Limited, Angus Fire Armour (Pvt) Limited, Sprinkler Fire Services (Pvt) Limited and Angus Alarms (Pvt) Limited
"Guthrie"	The Guthrie Corporation PLC
"Masimba"	Masimba Export & Import (Pvt) Limited
"directors' family investment company"	Igoe Investments Limited, the family investment company of Mr. W. A. K. Igoe and Mr. B. M. Igoe
"Peat Marwick"	Peat, Marwick, Mitchell & Co.
"new shares"	27,100,000 additional 8p shares of Aberfoyle being issued pursuant to the *Proposals*
"enlarged share capital"	32,224,549 8p shares of Aberfoyle in issue after implementation of the Proposals
"Unsecured Loan Stock"	£600,000 12% Unsecured Loan Stock 1984 of Flamehope constituted by a deed poll *dated 20th October, 1983*
"bridging loan"	short-term overdraft facilities of £600,000 from Lloyds Bank Plc to Flamehope secured by a pledge over the shares of GMHUK
"Proposals"	proposals under which, (1) Aberfoyle acquires the whole of the issued share capital of Flamehope for shares, (2) Aberfoyle acquires GMHUK from Flamehope in consideration of taking over the Unsecured Loan Stock and the bridging loan and (3) Aberfoyle discharges the bridging loan by a placing of 6,600,000 new shares
"Sale and Purchase Agreement"	agreement dated 16th August, 1983 for the acquisition by Flamehope of the Zimbabwean subsidiaries, through their holding company, GMHL, and its holding company, GMHUK
"Z$"	Zimbabwe dollars, the lawful currency of Zimbabwe (the rate of exchange used in this document being Z$1.59 = £1 except where indicated otherwise in the text)

History and business

Aberfoyle acts as an investment holding company as does its Channel Islands subsidiary (Aberfoyle Plantations Investments Limited). All the trading activities of the group are conducted through the subsidiaries.

Aberfoyle was incorporated in England on 28th December, 1934 as Aberfoyle Plantations Limited. It obtained a certificate to commence business as a public company on 25th January, 1935. It was re-registered as a public limited company under the Companies Act, 1980 on 20th November, 1981.

Its wholly-owned subsidiary, Aberfoyle Plantations (Pvt) Limited, *owns the former Aberfoyle group's major asset, being a 1,640-acre mature tea* estate at Honde Valley, Zimbabwe. Losses have been made by Aberfoyle in five of the last six years owing, in the directors' opinion, primarily to poor selling prices for tea, the high costs of production and an increasing burden of debt. These continuing losses eroded the asset base of Aberfoyle, requiring drastic remedies.

The directors therefore reached agreement with Athena Holdings (Pvt) Limited, a Zimbabwean investment company unconnected with the former Aberfoyle group or the *Flamehope group and their respective* directors, to lease the estate for a period of ten years for a premium of Z$1,170,000 (£736,000) and annual rental payments of Z$130,000 (£82,000). Receipt by Aberfoyle of the annual rent is conditional on the annual tea *production exceeding* 1,300,000 kilograms. A further condition of the lease is that the average annual production of any three consecutive years exceed 1,500,000 kilograms, failing which the tenant has the right to terminate the lease and recover a proportion of the premium paid related to the period of the lease then unexpired. The directors are confident that, excepting the occurrence of unforeseen circumstances, these conditions will be fulfilled. The average annual tea production of the last three years has been 1,502,000 kilograms. The tenant has also bought the estate's plant and machinery for a consideration of Z$630,000 (£396,000).

The leasing income will partly offset the interest payable on the remaining borrowings of Aberfoyle Plantations (Pvt) Limited, leaving a shortfall of Z$165,000 per annum. Aberfoyle Plantations (Pvt) Limited reached agreement with Barclays *Bank in Zimbabwe for short-term* borrowings, amounting to Z$2,000,000, which have been converted into a five-year loan secured on the tea estate, repayable in equal tranches at the end of the third, fourth and fifth years and bearing interest at 1.75% over Zimbabwe prime rate (currently 13%).

It was announced on 21st October, 1983 that Aberfoyle had agreed in principle, subject inter alia to the approval of shareholders (given in general meeting on 7th February, 1984) to acquire Flamehope, a United-Kingdom-registered company which had, on that date, acquired GMHUK for £1,188,000 cash. Following a further transaction with Masimba, GMHUK owns 70% of the equity of the former Zimbabwean subsidiaries of Guthrie, whose activities are described below, and of their holding company in Zimbabwe, GMHL.

The acquisition is being implemented by the issue fully-paid, pro rata to Flamehope's shareholders, of 20,500,000 new 8p shares of Aberfoyle at their nominal value, amounting to £1,640,000, on the basis of 205 such Aberfoyle shares for each £1 share of Flamehope. However, in addition to acquiring Flamehope and in order to acquire from Flamehope GMHUK and so the benefit of Flamehope's interest (70%) in GMHL and the Zimbabwean subsidiaries, Aberfoyle is assuming liability for the Unsecured Loan Stock (£600,000 repayable on 31st December, 1984 subject only to a possible deferral in respect of £200,000 to 31st December, 1985) and bridging loan of Flamehope which were used to finance the acquisition of the Zimbabwean subsidiaries from Guthrie. The outstanding balance (approximately £536,000 plus accrued interest) of the bridging loan is being repaid immediately after completion of the acquisition out of the proceeds of the placing of new shares of Aberfoyle referred to below.

The total number of shares of Aberfoyle to be issued was determined by the board of Aberfoyle and the shareholders of Flamehope by reference primarily to the relative net asset values of the former Aberfoyle group and of the Flamehope group (see respective auditors' and accountants' reports) and also the lease of the tea estate.

Existing business of Flamehope

Flamehope is a newly-established United-Kingdom private company which was formed specifically to acquire the Zimbabwean subsidiaries from Guthrie: following discussions between Guthrie and Mr B.M. Igoe, in his capacity as managing director of the Zimbabwean subsidiaries, regarding the sale of those companies, Mr I.L. Coates formed Flamehope with a consortium of investors, including the directors' family investment company which is beneficially interested in 16.5% of Flamehope's share capital.

On 16th August, 1983 Flamehope entered into a Sale and Purchase Agreement with Guthrie to acquire for a consideration of £1,188,000 the Zimbabwean subsidiaries, which, at 30th June, 1983 had net assets of Z$6,197,000 (£4,077,000) as shown in the report of Peat Marwick set out below. The acquisition, which was completed on 21st October, 1983, was financed out of the proceeds of issues of equity capital *of £100,000 and Unsecured Loan Stock of £600,000 together with the bridging loan of* £600,000 (which carries interest at 2% over Lloyds Bank's base rate for the time being). The Sale and Purchase Agreement contains certain warranties concerning the state of affairs of the Zimbabwean subsidiaries (summarised in paragraph 5.B (i) of the General Information below) which are limited in extent by the fact that Mr. B.M. Igoe, who is interested in Flamehope both as a director and through his *interest in the directors' family investment company* and who led the negotiations with Guthrie, was before the acquisition and still is also the managing director of the Zimbabwean subsidiaries and responsible for their day-to-day management.

Prior to their acquisition from Guthrie, although they were managed on a unified basis, the Zimbabwean subsidiaries were not consolidated under a holding company. As part of the arrangements under *the Sale and Purchase Agreement, these trading subsidiaries were grouped under a new* Zimbabwe-incorporated holding company, GMHL, in which, in turn, a new United-Kingdom-incorporated company, GMHUK, the shares of which were acquired by Flamehope pursuant to the Sale and Purchase Agreement, has, following the transaction mentioned below, a 70% interest.

Masimba owns 30% of the share capital of GMHL. Masimba is the private investment vehicle of *a number of Zimbabwean businessmen including its controlling shareholder, Mr C.P. Mandizvidza. He* and Mr S.J.R. Chihambakwe are directors of both Masimba and GMHL, but, save as stated above, the two companies are independently managed and owned.

The joint venture between GMHUK (and so Flamehope) and Masimba in GMHL, which is in accordance with the Zimbabwe Government's policy of encouraging local businessmen, in the directors' opinion should be of considerable value to the development of the enlarged Aberfoyle group's business in Zimbabwe. The consideration for the issue of new shares of GMHL, representing 30% of the enlarged issued share capital, was the obligation by Masimba to discharge all sums due under the outstanding loans between GMHL and Guthrie in respect of inter-group borrowings, which amounted to Z$1,855,078 (£1,167,000) repayable over five years, and the sum of Z$712,855 (£443,000), which may become *payable by instalments over a period of ten years ending 31st December, 1991* and will then be satisfied principally by retention of one half of the net dividends payable in that period to Masimba by GMHL. The effect of this transaction has been to transfer the loans out of GMHL's balance sheet at book value and convert them into new equity as well as providing the local interests with finance at 5% per annum for their investment. GMHL has guaranteed Masimba's obligations to *repay* the loan of Z$1,855,078 with interest and Masimba has pledged its shares in GMHL as security for this guarantee.

A summary of the businesses of each trading company follows:

GMHL Holdings (Pvt) Limited ("G & Co")

G & Co, formerly known as Guthrie & Co. (Pvt) Limited, was the Harare-based regional management company for Guthrie's Zimbabwean assets. It also owns Kintyre Estates, an important farming property near Norton, twenty miles from Harare, comprising 2,700 acres, of which 1,100 acres is sprinklered arable land on which the primary crops are wheat and soya beans. The estate includes a Friesland pedigree milking herd of 730 cows, which has been built up in the last four years. G & Co was acquired by Guthrie in 1974.

The estate's turnover for the year ended 31st December, 1982 was Z$1,076,000 and its profit before taxation Z$256,000. G & Co has tax losses outstanding in excess of Z$800,000.

Associated Textiles Limited ("ATL")

ATL is based in Kadoma and is a leading manufacturer of quality clothing, particularly underwear and tee-shirts, using primarily local cotton. It has for many years manufactured under brand names licensed from Courtaulds (Meridian and Robin Hood) and Munsingwear as well as producing its own brand, Monogram. Certain designs also have been licensed from Courtaulds. Bought by Guthrie in 1981, its *turnover for the year ended 31st December, 1982 was* Z$5,235,000 *and its profit before* taxation Z$755,000.

ATL was previously a subsidiary of South African textile manufacturer, Scotford Mills. Progressive reduction of exports by ATL to South Africa led to a serious diminution of sales, particularly in the first half of 1983, when it made a loss. However these exports have now been replaced *by orders for Europe and the United States of America, through the agency of Munsingwear* and other leading textile houses, and a considerable improvement has also taken place in the local market.

Stansfield Ratcliffe (Pvt) Limited ("SR")

SR, together with its subsidiary, Miljohn (Pvt) Limited, is a leading distributor of auto-electrical and diesel pump parts and spares, particularly those manufactured by Lucas and Chloride, with supply and service branches in Harare, Bulawayo and Gweru. SR was bought by Guthrie in 1981. Its turnover for the year ended 31st December, 1982 was Z$2,496,000 and its profit before taxation Z$373,000.

Angus Fire Armour (Pvt) Limited

The AFA division ("AFA") is an amalgamation of three different companies, Angus Fire Armour (Pvt) Limited, Sprinkler Fire Services (Pvt) Limited and Angus Alarms (Pvt) Limited, which were previously owned by Dunlop and purchased by Guthrie in 1981. Results of AFA for the year ended 31st December, 1982 and for the first half of 1983 reflected a major reorganisation and move of premises resulting from the acquisition by Guthrie. AFA's turnover for the year ended 31st December, 1982 was Z$1,410,000 and its profit before taxation Z$82,000.

With operations in Harare and Bulawayo, AFA has a key position in the supply of all types of fire-fighting equipment and sprinkler installations and is developing into alarms and other security systems. Pursuant to the Sale and Purchase Agreement, Flamehope undertook to change the names of Angus Fire Armour (Pvt) Limited and Angus Alarms (Pvt) Limited by 16th August, 1984. Angus Fire Armour (Pvt) Limited has been appointed sole distributor in Zimbabwe of the main products of Angus Fire Armour Limited, its former parent company.

Two of the subsidiary operations, Stansfield Ratcliffe (Pvt) Limited and the AFA division, have Matabeleland branches in Bulawayo, together accounting for rather less than 10% of the total pre-tax profit of the Zimbabwean subsidiaries in 1982.

In total, sales of the Zimbabwean subsidiaries increased from Z$5,506,000 in 1978 to a peak of Z$10,752,000 in 1981, before declining to Z$10,217,000 in 1982, as the effects of the world recession, a shortage of foreign exchange and prolonged drought in southern Africa impacted on the economy. Also margins came under pressure in 1982 following a rapid escalation of labour rates. As a consequence, operating profits were reduced from Z$1,946,000 in 1981 to Z$1,081,000 in 1982. Further details are shown in the accountants' report on the Flamehope group.

The profit before taxation of the Zimbabwean subsidiaries in the year to 31st December, 1982 comprised:

	Z$000
Associated Textiles Limited	755
Stansfield Ratcliffe (Pvt) Limited	373
Kintyre Estates	256
The AFA division	82
Head office costs	(225)
Total	1,241

The Zimbabwean subsidiaries had poor results for the period of six months ended 30th June, 1983, producing an aggregate loss of Z$259,000 before taxation, and continued to be affected by the drought, a first-quarter petrol shortage and the shortage of foreign exchange. Although it is too early to give a forecast for the thirteen months to 31st July, 1984, management information shows that, with the exception of the AFA division (which has made a small loss), the companies have each traded profitably over the six months to 31st December, 1983.

Structure and management of GMHL

GMHL is the Zimbabwean holding company within the Flamehope group. Its operations board, which has direct responsibility to the board of Aberfoyle for the management of the Zimbabwean subsidiaries, comprises Messrs C.P. Mandizvidza (chairman), B.M. Igoe (chief executive), P.D.H. Wilks (finance director), R.K. Wilkinson (managing director of Associated Textiles Limited), N. Frangoulis (managing director of Stansfield Ratcliffe (Pvt) Limited and of Angus Fire Armour (Pvt) Limited), G. Calmeyer (general manager of Kintyre Estates) and S.J.R. Chihambakwe (a director of Masimba). All members of this board are resident in Zimbabwe. The respective boards of the Zimbabwean subsidiaries report direct to this operations board.

Management structure of the enlarged Aberfoyle group

Ian L. Coates, who is 54 years old and is also chairman of Flamehope became a director and chief executive of Aberfoyle on 7th February, 1984. He was a director of Guthrie from 1969 to 1982 and became managing director in 1974. He was also chairman of Guthrie's Zimbabwean group of companies during this period and became a director of other leading Zimbabwean companies, including Hunyani Holdings Limited and Karina Textiles Limited.

William A. K. Igoe is 72 years old and was chairman of Aberfoyle from 1963 until February, 1984.

The following constitute the senior management of the Zimbabwean subsidiaries (and also the operations board of GMHL):

Brian M. Igoe, who is 43 years old, has been a director of Aberfoyle since 1963. He has had *responsibility for the management of Guthrie's Zimbabwean activities since 1974 and became managing* director of GMHL Holdings (Pvt) Limited in 1980. He has been substantially responsible for Guthrie's Zimbabwean developments since the independence of the country. This has involved his becoming managing director of each of the Zimbabwean subsidiaries from the time of their acquisition by Guthrie. He is also a director of Flamehope and a director and chief executive of GMHL.

Paul D.H. Wilks FCA, who *is 30 years old and has a first-class degree in economic history from* Exeter University, has acted as finance director of the Zimbabwean subsidiaries since 1981, having been seconded from Guthrie which he joined in 1978. He elected to stay in Zimbabwe as finance director of GMHL and also has joined the board of Aberfoyle Plantations (Pvt) Limited.

Crispin P. Mandizvidza, who is 54 years old, is an executive director of GMHL and chairman of its *operations board. He is a prominent Zimbabwean businessman and joined the GMHL board in* 1981. He is chairman and controlling shareholder of Masimba, a trading and investment company which owns 30% of the share capital of GMHL.

Geoffrey Calmeyer BSc(Agric), who is 39 years old, has been general manager of Kintyre Estates since 1980. He is a leading Zimbabwean farmer, having previously been with Anglo American *Corporation of South Africa Limited for a period of twelve years during the last five of which he was* general manager of Glenara Estates (Pvt) Limited which runs a large farming estate in Zimbabwe, and is an acknowledged authority on Friesland cattle.

Nicholas Frangoulis, who is 49 years old, is an accountant who joined Guthrie from the Chloride group in 1982. He is now managing director of the engineering division of the Zimbabwean subsidiaries, *which comprises the AFA division and Stansfield Ratcliffe (Pvt) Limited.*

R. Kenneth Wilkinson, who is 54 years old, joined Associated Textiles Limited in 1967, since when he has held the posts of production manager and production director; he is now managing director of the company.

Simplisius J.R. Chihambakwe, who is 38 years old, is a leading Zimbabwean lawyer being a partner of Chirunda, Chihambakwe & Partners. He has been a non-executive director of GMHL since 1981.

Share listing

Owing to the substantial nature of the acquisition in relation to the size of Aberfoyle, The Stock Exchange *agreed to suspend dealings in Aberfoyle's shares from* 4.37 p.m. on 21st October, 1983, pending full implementation of the Proposals immediately following the Extraordinary General Meeting held on 7th February, 1984. Immediately prior to the suspension, the middle market quotation was 7p per share. The acquisition of Flamehope is conditional on listing for the new shares being granted.

Change of name

In view of the change in the nature of Aberfoyle's business it was resolved on 7th February, 1984 that its name be changed to Aberfoyle Holdings PLC.

Share certificates presently held by shareholders of Aberfoyle will not be replaced and will remain valid for all purposes.

Dividends and change of residence

If the current remittability rules (which permit the remittance in dividends to overseas shareholders of *50% of distributable profits, subject in the case of United Kingdom shareholders to a withholding tax of* 5%, and the purchase of Sterling for the purpose of remitting those dividends to the United Kingdom) of the Reserve Bank of Zimbabwe then obtain, the directors expect Aberfoyle to return to the dividend lists with a single payment for the year ending 31st July, 1984 payable in the first half of 1985.

Aberfoyle was not resident for taxation purposes in the United Kingdom. The plans for the *future development of the enlarged Aberfoyle group made it advisable that the central management* and control of Aberfoyle and therefore its tax residence revert to the United Kingdom.

Furthermore by being resident again in the United Kingdom Aberfoyle will benefit from the United Kingdom/Zimbabwe Double Taxation Treaty in that payments of dividends from GMHL in Zimbabwe to GMHUK in the United Kingdom will be subject to Zimbabwean withholding tax at a rate not exceeding 5%; the rate for countries without such a Treaty is 20%.

AUDITORS' REPORT ON THE FORMER ABERFOYLE GROUP

The following is a copy of a report received from Peat Marwick, auditors of Aberfoyle:

Peat, Marwick, Mitchell & Co.
P.O. Box 6
Harare
Zimbabwe

The directors
Aberfoyle Plantations P.L.C.
Tubs Hill House
London Road
Sevenoaks
Kent
England

6th January, 1984

Shaw & Co
4 London Wall Buildings
Blomfield Street
London EC2M 5NT
England

Gentlemen,

We have examined the audited accounts of Aberfoyle Plantations P.L.C ("Aberfoyle") and of its subsidiary companies for the five-year period ended 31st July, 1983. These accounts were prepared under the historical cost convention, modified as explained in note 2(a). Aberfoyle and its subsidiaries are collectively referred to as "the group". We have been auditors of the group for all relevant periods.

The principal business activity of the group is the cultivation of a tea plantation in Zimbabwe.

The summarised profit and loss accounts, balance sheet and statements of source and application of funds set out below are based on the audited accounts and no adjustments have been considered appropriate. In our opinion these summaries, together with the notes thereon, give, under the convention stated above, a true and fair view of the state of affairs of Aberfoyle and of the group at 31st July, 1983 and of the losses and source and application of funds of the group for the five years ended on that date.

Current cost accounts as required by Statement of Standard Accounting Practice No. 16 have not been prepared, because, in the opinion of the directors, to do so would not add any significant information, since the major part of the fixed assets has been included in the accounts at valuation.

No *audited accounts of Aberfoyle or any of its subsidiaries have been prepared in respect of any* period subsequent to 31st July, 1983.

PROFIT AND LOSS ACCOUNTS

	Notes	1979 £000	1980 £000	1981 £000	1982 £000	1983 £000
		Years ended 31st July				
Sales		791	1,388	978	895	1,071
Cost of sales, distribution and administration	3	(866)	(1,366)	(1,322)	(1,223)	(1,380)
Operating (loss)/profit		(75)	22	(344)	(328)	(309)
Trading store (loss)/profit		—	—	(3)	20	8
Interest receivable		4	7	5	4	4
Investment income		5	8	3	3	2
Profit/(loss) on disposal of investments		2	(8)	2	(7)	1
Interest payable:						
Bank overdraft		(29)	(54)	(92)	(178)	(193)
Loan		—	—	—	—	(21)
Exceptional item – security costs		(59)	(59)	—	—	—
Loss before taxation		(152)	(84)	(429)	(486)	(508)
Taxation	4	(3)	—	—	—	—
Retained loss attributable to shareholders		(155)	(84)	(429)	(486)	(508)
Loss per share	5	(3.0)p	(1.6)p	(8.4)p	(9.5)p	(9.9)p

MOVEMENTS ON RESERVES

	1979 £000	1980 £000	1981 £000	1982 £000	1983 £000
	Years ended 31st July				
Balances at beginning of period	2,592	1,990	2,025	1,860	1,411
Retained loss (as above)	(155)	(84)	(429)	(486)	(508)
Currency translation surplus/(deficit)	(241)	63	132	16	(74)
Transfer to/(from) revaluation reserve:					
Currency translation surplus/(deficit)	(206)	56	132	21	(198)
Arising on revaluation of plantation	—	—	—	—	(663)
Balances at end of period	1,990	2,025	1,860	1,411	(32)

BALANCE SHEETS AT 31ST JULY, 1983

	Notes	The group £000	£000	Aberfoyle £000	£000
Fixed assets:					
Property, plantations, plant and equipment	7		2,169		—
Investments	8		28		—
Investments in subsidiary companies	9		—		615
Current assets:					
Stock	10	248		—	
Debtors		560		35	
Bank balances and cash		70		34	
		878		69	
Current liabilities:					
Bank overdraft	11	1,475		—	
Unsecured loan	12	258		—	
Creditors		839		20	
		2,572		20	
Net current assets/(liabilities)			(1,694)		49
			503		664
Representing:					
Share capital	13		410		410
Share premium account			125		125
Reserves:					
Revaluation reserve		502		—	
Other reserves	14	583		24	
Profit and loss account balance		(1,117)		105	
			(32)		129
			503		664

SOURCE AND APPLICATION OF FUNDS

	1979 £000	1980 £000	1981 £000	1982 £000	1983 £000
	Years ended 31st July				
Source of funds					
Received from long-term debtors	10	10	—	—	—
Proceeds from sale of investments	158	140	217	108	6
Proceeds from sale of fixed assets	5	—	16	16	10
Decrease in working capital	95	—	344	459	464
Increase in bank loan	106	347	—	—	—
	374	497	577	583	480
Application of funds					
Loss before taxation	152	84	429	486	508
Adjustment for items not involving movement of funds:					
Depreciation	(50)	(53)	(63)	(63)	(44)
Profit/(loss) on sale of fixed assets and investments	5	(8)	(14)	(7)	(2)
Translation difference – long-term debt	(6)	6	(10)	—	—
	101	29	342	416	462
Purchase of investments	141	137	191	99	—
Purchase of fixed assets	130	137	44	68	18
Taxation paid	2	3	—	—	—
Loan repayment	—	9	—	—	—
Increase in working capital	—	182	—	—	—
	374	497	577	583	480
Decrease/(increase) in working capital					
Stock	(193)	154	(24)	(40)	40
Debtors	(27)	(129)	112	(120)	(249)
Creditors	(11)	4	48	243	353
Zimbabwe Government loan	—	—	—	—	258
Current portion of long-term debtor	—	—	8	—	—
Surplus/(deficit) on translation of items other than fixed assets	41	(19)	(67)	(16)	219
Net liquid funds	285	(192)	267	392	(157)
	95	(182)	344	459	464

NOTES

1. Basis of consolidation

The consolidated accounts comprise the audited accounts made up to 31st July annually of:

Aberfoyle Plantations P.L.C. - incorporated in England
Aberfoyle Plantations (Pvt) Limited - incorporated in Zimbabwe
Aberfoyle Plantations Investments Limited - incorporated in Jersey, Channel Islands
Aberfoyle Plantations (Ireland) Limited - incorporated in Ireland

2. Accounting policies

The principal accounting policies of the group which have been applied in the foregoing summaries consistently throughout the period under review are:

(a) *The accounts are prepared under the historical cost convention, other than in respect of tea* stocks (which are carried at estimated realisable value) and certain fixed assets (which are stated at valuation). No current cost accounts are provided in accordance with Statement of Standard Accounting Practice No. 16 because, in the opinion of the directors, to do so would not add any significant information, since the major part of the fixed assets has been included in the accounts at valuation.

(b) Depreciation of fixed assets is calculated to write down their original cost to estimated residual value over their useful lives, at the rates shown below calculated on a reducing balance basis.

Temporary housing	20%
Buildings and roads	5%
Plant and equipment	7.5% – 10%
Vehicles and tractors	20%

Freehold land and plantations under development are not depreciated.

(c) The following percentages have been applied to the tea production and administration costs *applicable to the various acreages of tea gardens and nurseries to determine the proportion to* be transferred to development of plantations account:

	Acreage at 31st July, 1983	% of costs applicable to development
Mature tea	1,640	—
8 – 9 years' growth	—	10%
7 – 8 years' growth	—	20%
6 – 7 years' growth	—	40%
5 – 6 years' growth	—	55%
4 – 5 years' growth	14	70%
Less than 4 years	—	100%
	1,654	

In accordance with the policy adopted hitherto, the cost of replanting and upkeep on developed plantations is charged to revenue.

(d) Quoted investments are stated at cost. Dividends from investments are credited to income when received. Profits and losses on disposals of investments are included in the results for the year.

(e) Sales are shown net of all sales taxes and represent total amounts invoiced to customers less returns.

(f) Stocks of tea are valued at estimated net realisable value. All other stocks are valued at the lower of cost on a first in first out basis and net realisable value. Whilst the basis of valuation for stocks of tea is not in accordance with Statement of Standard Accounting Practice No. 9, *which* states that stocks should be valued at the lower of cost and net realisable value, the directors consider that the basis used is appropriate for a plantation company.

(g) Deferred taxation is provided in respect of the tax reduction arising from all material timing differences other than any tax reduction which can be demonstrated with reasonable *probability to continue for the foreseeable future.*

(h) The financial statements of foreign subsidiary companies are translated to sterling at the rate ruling at 31st July. Unrealised exchange surpluses arising on the translation of transactions and assets and liabilities are taken direct to reserves; unrealised deficits are set off first against previous surpluses and are otherwise charged to the profit and loss account. Realised surpluses *and deficits are dealt with through the profit and loss account.*

3. Cost of sales includes:

	1979 £000	1980 £000	1981 £000	1982 £000	1983 £000
	Years ended 31st July				
Depreciation:					
Buildings and roads	24	24	23	21	17
Plant, equipment and vehicles	10	15	25	27	18
Amortisation of goodwill	—	—	15	15	9
Depreciation included in exceptional item	16	14	—	—	—

4. With the exception of taxation of bank interest received and investment income, no taxation provision (including deferred taxation) has been necessary due to the availability of tax losses.

5. Loss per share has been calculated by reference to 5,124,549 shares in issue throughout the period.

6. No dividends have been paid during the period under review.

7. Fixed assets are stated as follows:

	Cost or valuation £000	Accumulated depreciation £000	Net book amount £000
Freehold land	216	—	216
Buildings and roads	619	320	299
Plant, equipment and vehicles	428	293	135
Plantations under development	1,519	—	1,519
	2,782	613	2,169

The directors have revalued the plantations, *freehold land and buildings and roads at* Z$3,150,000 (£2,034,000) at 31st July, 1983 by reference to the net present value of the payments under the lease of the tea estate (note 16) and to their residual value on termination. The deficit of Z$1,028,000 (£663,000) arising from the revaluation has been charged solely against plantations under development, where the surplus on the previous revaluation in 1977 was taken.

8. Investments

Quoted investments at cost	£27,574
(Market value at 31st July, 1983	£28,648)

9. Investments in subsidiaries comprise:

	£000
Shares at cost	275
Loan to subsidiary	340
	615

Repayment of the loan by the Zimbabwean subsidiary is subject to exchange control permission from the Zimbabwean government.

10. Stock comprises:

	£000
Tea stocks – at estimated realisable value	135
Consumable stores	68
Trading store stocks	45
	248

If tea stocks were valued at the lower of cost, on an average basis, and net realisable value, the valuation would have been approximately £124,000.

11. Bank overdraft

Overdraft, repayable at call	£1,475,000

The amounts advanced to the subsidiary by its bankers are secured by a first mortgage bond over the freehold land and plantation under development in Zimbabwe. On 15th November, 1983 the *overdraft was replaced by a loan of Z$2,000,000 (£1,290,000) repayable in three equal annual* instalments commencing on 31st July, 1986.

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ABERFOYLE PLANTATIONS PUBLIC LIMITED COMPANY — *Continued*

12. The unsecured loan from the Zimbabwe Government carries interest at the rate of 13% per annum, and is subject to recall at 30 days' notice.

13. Share capital

Authorised: 9,375,000 ordinary shares of 8p each	£750,000
Issued and fully paid: 5,124,549 ordinary shares of 8p each	£409,964

14. Other reserves comprise

	£000
Unrealised surplus on currency translation	392
General reserve	166
Government grants	25
	583

15. At 31st July, 1983 the exchange rate ruling was Z$1.55 = £1.

16. By an agreement dated 11th November, 1983 Aberfoyle's subsidiary in Zimbabwe agreed:

(a) to lease its tea estate for a period of ten years from 1st August, 1983 in consideration of an initial payment of Z$1,170,000 (£755,000) and ten annual rental payments of Z$130,000 (£84,000). The rental payments are contingent on annual tea production exceeding 1,300,000 kilograms in any calendar year and exceeding an average of 1,500,000 kilograms for any three consecutive years (excluding 1983), failing which (in the latter case) the tenant has the right to terminate the lease and recover a proportion of the premium paid related to the term of the lease then unexpired.

(b) to sell certain plant, equipment and vehicles based on the estate and having a book value at 31st July, 1983 of Z$210,000 (£135,000) for a consideration of Z$630,000, (£407,000) of which Z$600,000 (£387,000) was payable immediately and Z$30,000 (£20,000) has already been settled.

A deposit of Z$700,000 (£452,000) in respect of the lease agreement was received by the subsidiary prior to 31st July, 1983 and is included in the balance sheet as a creditor.

In addition the tenant has agreed to take over specified net current assets at their book value of Z$672,000 (£434,000). This amount is payable in two tranches, Z$300,000 no later than 31st December, 1984 and Z$372,000 no later than 11th May, 1985.

Yours faithfully,

PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants (Zimbabwe)

ACCOUNTANTS' REPORT ON THE FLAMEHOPE GROUP

The following is a copy of a report received from Peat Marwick:

Peat, Marwick, Mitchell & Co.
1 Puddle Dock
Blackfriars
London EC4V 3PD

The directors
Aberfoyle Plantations P.L.C.
Tubs Hill House
London Road
Sevenoaks
Kent

6th January, 1984

Shaw & Co
4 London Wall Buildings
Blomfield Street
London EC2M 5NT

Gentlemen,

Flamehope Limited ("Flamehope") was incorporated in Great Britain on 29th March, 1983 and commenced business on 16th August, 1983. Its issued share capital was paid up to 100,000 shares of £1 each all issued for cash at par on 20th October, 1983. No accounts have been made up and no dividends paid.

Under the terms of a Sale and Purchase Agreement dated 16th August, 1983, between Flamehope and The Guthrie Corporation PLC ("Guthrie"), Flamehope agreed to acquire certain subsidiaries of Guthrie which trade in Zimbabwe (the "Zimbabwean subsidiaries") for a cash consideration of £1,188,000.

Prior to completion of this transaction on 21st October, 1983, the Zimbabwean subsidiaries, which were not previously in a group relationship within Zimbabwe, were grouped under a Zimbabwean holding company, GMHL Investments (Pvt) Limited ("GMHL"), wholly owned by GMH Investments (UK) Limited ("GMHUK"). At completion Flamehope acquired the issued share capital of GMHUK. Neither GMHUK nor GMHL have any material assets or liabilities other than their effective interest in the Zimbabwean subsidiaries.

At completion of the above-mentioned transaction GMHUK owned the whole of the issued and fully paid share capital of GMHL. On 23rd November, 1983 GMHL issued 83 new Z$1 shares, 0.5 cent paid, to Masimba Export & Import (Pvt) Limited ("Masimba") for an aggregate consideration of Z$712,855. Such shares rank pari passu with the fully-paid shares as regards dividends. The consideration is payable without interest over the period to 31st December, 1991 by retaining half of any net dividends (after taxation) payable in that period by GMHL to Masimba with any balance payable by Masimba at 31st December, 1991. On 23rd November, 1983 GMHL issued 217 new fully-paid Z$1 shares to Masimba for a consideration to be satisfied by Masimba assuming liability for an amount of Z$1,855,078 owing by the Zimbabwean subsidiaries to a subsidiary of Guthrie, such obligation being guaranteed by GMHL and such guarantee being secured by a pledge over Masimba's shares in GMHL. As a result of these transactions Flamehope's effective interest in the Zimbabwean subsidiaries was reduced from 100% to 70% but the net assets of the Zimbabwean subsidiaries were increased.

At 30th December, 1983, Flamehope's assets effectively comprise a 70% interest in the Zimbabwean subsidiaries. Its liabilities comprise £600,000 12% Unsecured Loan Stock 1984, a bank overdraft of £516,000 and the balance of costs incurred in connection with the foregoing transactions and the issue of the circular in which this Report appears, together estimated to amount to £116,000.

We have examined the audited accounts for the periods relevant to this report of the Zimbabwean subsidiaries comprising the following companies all of which are incorporated in Zimbabwe and of which Peat, Marwick, Mitchell & Co., Zimbabwe, became auditors in respect of the accounting periods commencing on the dates shown below. All these companies throughout the period under review had unqualified audit reports.

Angus Alarms (Pvt) Limited	1st January, 1982
Angus Fire Armour (Pvt) Limited	1st January, 1981
Associated Textiles Limited	1st April, 1981
GMHL Investments (Pvt) Limited	1st April, 1981
Guthrie & Company (Pvt) Limited	1st January, 1981
Guthrie Masimba Holding Co. (Pvt) Limited	1st April, 1981
Miljohn (Pvt) Limited	1st April, 1982
Sprinkler Fire Services (Pvt) Limited	1st January, 1982
Stansfield Ratcliffe (Pvt) Limited	1st April, 1982

In arriving at the summarised financial information set out below, we have made adjustments to the results shown by the audited accounts, principally to apportion on a time basis the results to a common accounting date, and to eliminate the results of the Fluid Seals Division of Angus Alarms (Pvt) Limited which was sold to the Dunlop group on 30th September, 1981 for a consideration of Z$130,487.

The summarised profit and loss accounts set out below represent an aggregation of the results of the Zimbabwean subsidiaries based on their audited accounts after making such adjustments as we consider appropriate. No statement of source and application of funds has been prepared as the accounts were not all drawn up to a common date.

PROFIT AND LOSS ACCOUNTS

	Note	1978 Z$000	1979 Z$000	1980 Z$000	1981 Z$000	1982 Z$000	6 months to 30th June 1983 Z$000
		Years ended 31st December					
Sales		5,506	6,689	8,446	10,752	10,217	4,499
Cost of sales	2	(4,736)	(5,641)	(6,900)	(8,806)	(9,136)	(4,791)
Operating profit/(loss)		770	1,048	1,546	1,946	1,081	(292)
Investment income		46	39	67	114	166	35
Interest payable		(47)	(32)	(28)	(19)	(6)	(2)
Profit/(loss) before taxation and extraordinary item		769	1,055	1,585	2,041	1,241	(259)
Taxation	3	(239)	(404)	(669)	(1,012)	(432)	(52)
Profit/(loss) before extraordinary item		530	651	916	1,029	809	(311)
Extraordinary items	4	—	—	215	(30)	(170)	(117)
Profit/(loss) attributable to shareholders		530	651	1,131	999	639	(428)
Dividends paid to former shareholders		(220)	(317)	(308)	(730)	(355)	—
Retained profit/(loss)		310	334	823	269	284	(428)
Profit/(loss) before extraordinary items attributable to 70% interest now effectively owned by Flamehope		371	456	641	720	566	(218)
Exchange rate ruling at end of period £1=		Z$1.42	Z$1.49	Z$1.50	Z$1.38	Z$1.48	Z$1.52
		£000	£000	£000	£000	£000	£000
Sterling equivalent		261	306	427	522	383	(143)

The present annual cost of interest payable on Flamehope's borrowings (after allowing for other liabilities to be paid) of approximately £1,200,000 at current rates is £132,000, which has not been charged in arriving at the profit attributable to Flamehope's interest shown above.

A statement of assets and liabilities of the Flamehope group at 30th June, 1983, showing the aggregate net assets at that date of the Zimbabwean subsidiaries which were acquired from Guthrie based on their audited accounts after making such adjustments as we consider appropriate and the effect thereon of the subsequent transactions mentioned above, and of the incorporation of the Zimbabwean subsidiaries into the Flamehope group is set out below:

STATEMENT OF ASSETS AND LIABILITIES AT 30TH JUNE, 1983

	Notes	Z$000	Z$000
Fixed assets:			
Property, plant and equipment	5		4,326
Long term receivable	6		121
Investments	7		50
			4,497
Current assets:			
Stock	8	3,742	
Debtors		1,693	
Cash and bank		517	
		5,952	
Current liabilities:			
Creditors		1,456	
Taxation		337	
Dividend		497	
Bank overdraft		107	
		2,397	
Net current assets			3,555
			8,052
Deduct: Loan due to a subsidiary of Guthrie			1,855
Net assets at 30th June, 1983 of the Zimbabwean subsidiaries acquired from Guthrie			6,197
Add: Liability for loan subsequently assumed by Masimba	12		1,855
Deferred consideration receivable from Masimba for partly paid shares in GMHL			713
			8,765
Less: Attributable to Masimba's 30% interest			2,630
Net assets attributable to Flamehope's 70% interest			6,135

	£000	£000
Sterling equivalent of net assets attributable to Flamehope's 70% interest - Z$6,135,000 translated at Z$1.52 = £1		4,036
Deduct: Flamehope's liabilities:		
Balance of consideration for acquisition of Zimbabwean subsidiaries	588	
Less: proceeds of issue of 100,000 shares of Flamehope	(100)	
	488	
Bank overdraft (secured)		
12% Unsecured loan stock 1984	600	
Estimated costs in connection with the acquisition from Guthrie and the proposed merger with Aberfoyle	116	
		1,204
Net assets attributable to the Flamehope group		2,832
Representing:		
Issued share capital of Flamehope		100
Capital reserve arising on consolidation		2,732
		2,832

NOTES

1. Accounting policies

The principal accounting policies of the Zimbabwean subsidiaries which have been applied in the foregoing summaries consistently throughout the period under review are:

(a) The accounts are prepared under the historical cost convention adjusted for valuations of land and buildings.

(b) Fixed assets are stated at cost or valuation. Depreciation of fixed assets is calculated to write down their original cost to estimated residual value over their useful lives, at the rates shown below calculated on a straight line basis.

Buildings	2.5% - 5%
Plant and equipment	10%
Furniture and fittings	15%
Tractors and motor vehicles	20%

Freehold land is not depreciated.

(c) Dairy cattle are valued at cost, or at directors' valuation for home-reared dairy cattle. Growing crops are valued at the lower of cost and net realisable value. All other stocks and stores on hand are valued at the lower of cost and net realisable value. Work in progress is valued at cost, including an appropriate proportion of overheads.

(d) No provision for deferred taxation is made since the directors are of the opinion that no liability will arise within the foreseeable future.

(e) Sales comprise net sales to external customers, and consist of income in respect of goods sold and services provided and the sales value of crops produced during the year, cattle sales, dairy produce sales and the appreciation of the dairy cattle herd.

(f) Assets and liabilities in foreign currency are stated in Zimbabwean currency at exchange rates ruling at the balance sheet date.

2. Cost of sales includes:

	1978 Z$000	1979 Z$000	1980 Z$000	1981 Z$000	1982 Z$000	6 months to 30th June 1983 Z$000
	Years ended 31st December					
Depreciation	100	120	147	211	220	129

3. Taxation represents Zimbabwe income tax at statutory rates on the taxable profits of the individual companies.

4. Extraordinary items comprise:

		Z$000
1980	Profit on sales of investments	215
1981	Provision against loan	(30)
1982	Balance of loan written off	(170)
1983	Write down of investments subsequently sold to a subsidiary of Guthrie	(117)

5. Fixed assets are stated as follows:

	Cost or valuation Z$000	Accumulated depreciation Z$000	Net book amount Z$000
Freehold land and buildings	3,389	122	3,267
Plant and equipment	1,907	1,314	593
Tractors and motor vehicles	474	171	303
Fixtures and fittings	325	162	163
	6,095	1,769	4,326

Z$3,168,000 of the freehold land and buildings shown above are stated at the valuations as at 30th June, 1983 by Richard Ellis, Zimbabwe, chartered surveyors, based on the open market value at that date.

6. The long term receivable represents a deposit account with the Bank of Zambia.

7. Investments represent unquoted trade investments stated at cost (directors' valuation Z$50,000).

8. Stock comprises:

	Z$000	Z$000
Raw materials:		
Livestock	333	
Growing crops	163	
Raw materials	768	
Consumable stores	96	
		1,360
Work-in-progress		402
Finished goods:		
Manufactured stock	1,203	
Goods for resale	777	
		1,980
		3,742

9. The full potential liability for deferred taxation not provided at 30th June, 1983 amounted to Z$162,000.

10. The Zimbabwean subsidiaries had capital commitments at 30th June, 1983, amounting to Z$116,000.

11. Independent insurance brokers have advised that the assets of the existing pension schemes are at least actuarially equivalent to the value of the benefits accrued under those schemes.

12. Contingent liabilities

GMHL has guaranteed Masimba's obligations to repay the loan of Z$1,855,078 due to a subsidiary of Guthrie with interest. The guarantee is secured by a pledge over Masimba's 300 shares of GMHL, whose attributable book net asset value is Z$2,630,000.

A subsidiary of GMHL has guaranteed the bank overdraft of Masimba up to Z$100,000, plus interest; and the bank overdraft of an employee up to Z$45,000, plus interest.

In our opinion the foregoing financial information gives, on the basis and under the accounting convention stated, a true and fair view of:

(a) the aggregate results of the Zimbabwean subsidiaries and the results (before extraordinary items) attributable to the 70% interest therein now effectively owned by Flamehope;

(b) the present annual cost of Flamehope's borrowings;

(c) the state of affairs of the Zimbabwean subsidiaries at 30th June, 1983 and of the adjustments thereto necessary to reflect the subsequent transactions mentioned above and the incorporation of the Zimbabwean subsidiaries into the Flamehope group.

No audited financial statements have been made up for any of the companies in respect of any period subsequent to 30th June, 1983.

Yours faithfully,

PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants

PRO-FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED ABERFOYLE GROUP

The following pro-forma consolidated balance sheet of Aberfoyle, which is provided for the purposes of illustration only, is based on the audited consolidated balance sheet of the existing Aberfoyle group at 31st July, 1983, and on the combined balance sheets of the Zimbabwean subsidiaries at 30th June, 1983, adjusted to reflect their incorporation into the Flamehope group.

The pro-forma consolidated balance sheet has been adjusted to reflect:

(a) the acquisition by Aberfoyle of the Flamehope group, the placing of 6,600,000 Aberfoyle shares and the discharge of the outstanding balance of the bridging loan and those costs and expenses of the Proposals payable by Aberfoyle;

(b) the lease agreement whereby the existing Aberfoyle group has leased the tea estate in Zimbabwe for an initial premium of Z$1,170,000 and sold the plant, equipment and vehicles for Z$630,000, Z$600,000 receivable in cash and Z$30,000 which has been offset against amounts due to the lessee;

(c) the translation of all Zimbabwean assets and liabilities at £1 = Z$1.59, being the approximate rate of exchange ruling at the close of business on 12th December, 1983.

	Notes	£000	£000
Fixed assets:			
Property, plant and equipment			4,701
Investments			59
Long-term receivables			77
Deferred asset	1		448
Current assets:			
Stocks		2,353	
Debtors		1,099	
Medium-term receivable	2	423	
Cash		782	
		4,657	
Current liabilities:			
Creditors		1,134	
Overdrafts		1,325	
Taxation		212	
Dividends		313	
		2,984	
Net current assets			1,673
			6,958
Representing:			
Share capital			2,578
Share premium			257
Reserves:			
Revaluation reserve			489
Other reserves			554
Capital reserves arising on consolidation			913
Retained deficit			(672)
			4,119
Deferred income	3		585
Minority interest			1,654
Unsecured loan			600
			6,958

NOTES

1. The deferred asset (Z$712,855) represents the consideration payable by Masimba for the shares issued by GMHL in accordance with the agreement dated 16th August, 1983 (as amended) between Flamehope and Masimba. This is referred to in the accountants' report on the Flamehope group.

2. The medium-term receivable represents the consideration for the balance of stock, debtors, cash and creditors as at 31st July, 1983 taken over by the tenant as part of the lease agreement relating to the Aberfoyle group's tea estate, which is payable as to Z$300,000 not later than 31st December, 1984 and Z$372,000 not later than 11th May, 1985.

3. The deferred income represents that part of the initial premium of Z$1,170,000 (£736,000) for the lease of the tea estate which has been allocated to future accounting periods and which will be partially refundable (pro rata over the term of the lease then unexpired) if the tea production does not exceed an average of 1,500,000 kilograms for any three consecutive years (excluding 1983).

4. GMHL has guaranteed Masimba's obligations to repay the loan of Z$1,855,078 due to a subsidiary of Guthrie with interest, the bank overdraft of Masimba up to Z$100,000 plus interest and the bank overdraft of an employee up to Z$45,000 plus interest. Masimba has given a counter-guarantee in respect of its obligations to repay the loan of Z$1,855,078, secured by a pledge of its present shareholding in GMHL.

GENERAL INFORMATION

1. Further information relating to the material operating companies within the enlarged Aberfoyle group

Company	Date of Incorporation	Main Business	Issued Share Capital
Flamehope Limited	29th March, 1983	Investment holding company	£100,000
GMH Investments (UK) Limited	23rd March, 1983	Investment holding company	£1,200,010
GMHL Investments (Pvt) Limited	6th August, 1956	Investment holding company	Z$1,000
GMHL Holdings (Pvt) Limited	7th March, 1951	Management company. Dairy and arable farming	Z$905,000
Associated Textiles Limited	28th May, 1955	Textiles manufacture	Z$123,400
Angus Fire Armour (Pvt) Limited	22nd March, 1939	Supply and installation of fire fighting equipment and alarms and security systems	Z$420,000
Stansfield Ratcliffe (Pvt) Limited	29th November, 1946	Distributor of auto-electrical and diesel pump parts and spares	Z$500,000
Aberfoyle Plantations (Pvt) Limited	10th January, 1961	Ownership and leasing of tea plantation	Z$3,000,000

(i) Flamehope, GMHUK and Aberfoyle Plantations (Pvt) Limited are 100% owned by Aberfoyle. All the other companies mentioned above are effectively owned as to 70% by Aberfoyle and 30% by Masimba.

(ii) All companies are incorporated in Zimbabwe except Flamehope and GMHUK which are incorporated in England.

2. Share capital

(i) Flamehope was incorporated on 29th March, 1983 and on commencing business on 16th August, 1983 its issued share capital was £2. On 13th October, 1983 48 further shares of £1 each were issued fully paid for cash at par. The authorised share capital of £100 was increased on 20th October, 1983 to £100,000 consisting of 100,000 shares of £1 each and all issued for cash fully paid at par value.

(ii) GMHUK was incorporated on 23rd March, 1983. On 16th August, 1983, the day on which it commenced business, its issued share capital was increased from £2 to £10 by the issue of 8 shares fully paid for cash at par value. The authorised share capital of £100 was increased on 17th October, 1983 to £1,250,000 out of which 1,200,000 shares of £1 each were issued for cash fully paid at par value on that date.

(iii) On 20th October, 1983 GMHL issued 6 "A" shares of Z$2 and 147 "B" shares of Z$2 beyond its then existing issued share capital of 4 "A" shares and 98 "B" shares of Z$2 each, in consideration of the transfer of the whole of the issued share capital of GMHL Holdings (Pvt) Limited, Angus Alarms (Pvt) Limited, Stansfield Ratcliffe (Pvt) Limited and 37.5 per cent of the issued share capital of Associated Textiles Limited. On 21st November, 1983 GMHL's share capital was reorganised into one class of ordinary shares of Z$1 each. On 23rd November, 1983 190 fully paid ordinary shares of Z$1 each were issued to GMHUK by way of capitalisation of part of the share premium account so as to increase GMHL's issued share capital to Z$700 consisting of 700 shares of Z$1 each. On 23rd November, 1983 GMHL issued 83 new Z$1 shares 0.5 cents paid and 217 new fully paid Z$1 shares to Masimba for the consideration described in the accountants' report on the Flamehope Group contained in this document.

(iv) Since 1st January, 1982:

(a) save as disclosed herein no share or loan capital of Aberfoyle or of any of its subsidiaries has been issued or is proposed to be issued;

(b) no share or loan capital of Aberfoyle or of any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option;

(c) save as disclosed herein no commissions, discounts, brokerages or other special terms have been granted by Aberfoyle in connection with the issue or sale of any share or loan capital of Aberfoyle or of any of its subsidiaries.

3. Articles of Association

The Articles of Association of the Company contain (inter alia) provisions to the following effect:

(i) Share capital and voting rights

Article 3 sets out the present authorised capital and Article 8, reflecting the Companies Act, 1981, allows Aberfoyle to purchase its own shares.

Article 7 prohibits the directors from issuing shares in contravention of Section 14 of the Companies Act, 1980 necessitating the sanction of the members in general meeting by reference to specified limits.

Section 17 of the Companies Act, 1980 applies without modification in respect of pre-emption rights on increase of capital.

Article 50 provides that Aberfoyle may issue bearer shares and the directors are empowered by Article 51 to vary the conditions of the issue.

There is one class of share in issue, namely ordinary shares. No special rights or restrictions as to voting attach to the ordinary shares in issue. Every member present in person or, being a company, is represented by a proxy or other authorised representative, has one vote on a show of hands. On a poll every member, present in person or by proxy, has one vote for each share held. He need not use all his votes in the same way.

Article 64 provides for a quorum of 2 members in person or represented by proxy and in addition that a non-member director may attend and speak at general meetings.

By Article 67 2 members may demand a poll.

Article 74 provides that persons entitled to shares arising from death or bankruptcy may vote but are required to have satisfied the directors of their entitlement at least 48 hours prior to the meeting.

Article 84 provides that a member cannot vote if he has failed to supply required information as to his interests in voting shares following notice to him under Section 74 of the Companies Act, 1981.

(ii) Directors

Article 87 provides for annual payments of £1,200 for each director subject to the approval of the directors. Additional remuneration may also be voted to them by the shareholders from time to time in such proportions as they shall decide.

The retiring age for directors under Article 90 is 75 thereby modifying Section 185 of the Companies Act, 1948.

A director is not empowered to vote at or be counted in the quorum of any board meeting at which is considered any contract or arrangement including any proposed contract or arrangement involving any subsidiary in which he is materially interested and he must declare the nature of his interest at the first convenient Board Meeting. However, where a director is also a shareholder or a stockholder he is entitled to vote at shareholders or stockholders meetings. A director will not be precluded from voting at a board meeting where (inter alia) he:

(a) has lent money or incurred obligations at the request of or for the benefit of Aberfoyle;

(b) has subscribed for, guaranteed or underwritten shares or debentures of Aberfoyle or any other company promoted by Aberfoyle;

(c) is interested in any other company involved in a contract with Aberfoyle, as a director, member or creditor;

(d) may benefit under a proposed pension or retirement benefits scheme.

The provisions of the Article may be suspended or relaxed by the members passing an Ordinary Resolution.

The directors are empowered to exercise all powers of Aberfoyle to borrow money and mortgage or charge its undertaking or any of its property for the purposes of Aberfoyle and/or any of its subsidiaries up to an amount equal to twice the aggregate value of the paid-up share capital plus the consolidated capital and revenue reserves of Aberfoyle and its subsidiaries as shown in the latest audited consolidated balance sheet. On implementation of the Proposals the borrowing limit was thereby increased from £1,639,656 to £5,156,000 subject to further increases only with the consent of shareholders in general meeting.

4. Disclosure of interests (following the release of 1,693,750 shares to the stock market under the terms for a placing)

(i) The interests of the directors, including family interests (all beneficial) in the shares of Aberfoyle are set out below:

	Number of shares	Percentage of issued share capital
I.L. Coates (see (iii) below)	6,687,500	20.8
B.M. Igoe	5,252,823*	16.8
W.A.K. Igoe	147,395	
M.F. Igoe	150	

*5,252,807 of these shares are owned by Igoe Investments Limited, an investment company which is wholly owned by the trustees of a discretionary trust, the beneficiaries of which include the children of Mr B.M. Igoe and Mr M.F. Igoe. Mr W.A.K. Igoe and his wife are directors of Igoe Investments Limited.

(ii) Mr. B.M. Igoe, who is a director of Aberfoyle, is also a director of Flamehope.

(iii) Mr. I.L. Coates, a director of Flamehope who became a director of Aberfoyle pursuant to the Proposals, owns 80% of the issued share capital of Linian (CI) Limited. Linian (CI) Limited owns 90% of the issued share capital of Ivorhope Limited which held 40,000 shares representing 40% of the issued capital of Flamehope prior to implementation of the Proposals. Of the shares in Flamehope which were held by Ivorhope Limited, 15,000 were held beneficially, 10,000 as nominee for Linian (CI) Limited, 3,000 as nominee for Linian (CI) Limited's wholly-owned subsidiary, Linian Limited (which itself owned beneficially a further 2,000 shares in Flamehope) and 7,500 as nominee for Mr I.L. Coates. The remaining 4,500 shares which were held by Ivorhope Limited were held as nominee for interests other than Mr Coates or any companies controlled by or associated with him. Consequently Mr Coates and the above-mentioned companies will receive in aggregate 7,687,500 Aberfoyle shares on implementation of the Proposals of which 1,000,000 shares are being released to the stock market. Linian Limited entered into an agreement with Flamehope with effect from 1st November, 1983 and determinable on 12 months notice by either party whereby Linian Limited made the full-time services of Mr. Coates available to Flamehope for the period of the agreement as chairman and chief executive of the Flamehope group and provided company secretarial and administrative services. The total fees payable under this agreement are initially £18,000 per annum (exclusive of VAT). The rights and obligations of this agreement are being transferred to Aberfoyle upon implementation of the Proposals.

(iv) Miss K. Watt, a director of Flamehope, owns 20,000 shares of Aberfoyle which are held as nominee for Mr. W.A.K. Igoe and owns 1,000 shares in Flamehope for which she is receiving 205,000 Aberfoyle shares on implementation of the Proposals. Miss L. Lehan, a director of Flamehope, holds 5,000 shares of Flamehope, of which 2000 are owned beneficially for which she is receiving 410,000 Aberfoyle shares on implementation of the Proposals.

(v) Pursuant to an agreement dated 11th November, 1983 between Aberfoyle Plantations (Pvt) Limited, Athena Holdings (Pvt) Limited and E.B. Ridsdel (Pvt) Limited, in consideration of an initial premium of Z$1,170,000, the immediate payment for certain plant and machinery of Z$600,000 and Z$30,000 offset against a loan account and an annual rent of Z$130,000, Aberfoyle Plantations (Pvt) Limited agreed to lease the Honde Valley tea estate to Athena Holdings (Pvt) Limited for a period of ten years. E.B. Ridsdel (Pvt) Limited (a management services company) agreed to manage the said estate by providing the services of Mr M.F. Igoe for the said period in consideration of a fee of Z$15,000 per annum. The issued share capital of E.B. Ridsdel (Pvt) Limited is beneficially owned in equal shares by Mr W.A.K. Igoe, Mr B.M. Igoe and Mr M.F. Igoe.

(vi) Mr B.M. Igoe has been managing director of the Zimbabwean subsidiaries since 1980 and from 1974 to 1980 the services of managing director were provided by E.B. Ridsdel (Pvt) Limited. He currently has a service agreement with GMHL Holdings (Pvt) Limited terminable on 12 months notice by either party, provided that, once Mr. Igoe has attained the age of 50 and completed ten years service with that company from 1st April, 1981, 24 months notice has to be given by the company. His current remuneration is Z$55,000 per annum.

(vii) Save as disclosed in this paragraph 4, no director of Aberfoyle has or has had any interest, direct or indirect, in any assets which, since 31st July, 1981 have been or are proposed to be acquired or disposed of by or leased by or to Aberfoyle or any of its subsidiaries and no such person has a material interest in any existing contract or arrangement entered into by Aberfoyle or any of its subsidiaries which is significant in relation to the business of the enlarged Aberfoyle group as a whole.

(viii) The following interests (all beneficial) represent 5% or more of the issued share capital of Aberfoyle:

	No. of 8p shares	Per cent.
Mr I.L. Coates and companies controlled by or associated with him (as detailed in sub-paragraph (iii) above)	6,687,500	20.8
Igoe Investments Limited	5,252,807	16.3
M & G Investment Management Limited or funds managed by it	3,600,000	11.2
The Stockholders Equity Trust or funds associated with it	3,000,000	9.3
E.F. Robbins Limited	2,050,000	6.4

(ix) There have been no dealings in the shares of Aberfoyle by the directors of Aberfoyle or their families or by Igoe Investments Limited in the 12 months ended 6th February, 1984.

(x) Save as disclosed in paragraphs (iii) and (vi) above no director of Aberfoyle has or is intended to have a service agreement with Aberfoyle, Flamehope or any of their respective subsidiaries. The aggregate emoluments of the directors of Aberfoyle for the year ended 31st July, 1983 were £26,429. It is estimated that the amount payable to, or in respect of the services to the enlarged Aberfoyle group of, the directors of Aberfoyle, for the current financial year of Aberfoyle will be £21,600 (exclusive of VAT) and Z$55,000.

5. Material contracts

The following contracts (not being in the ordinary course of business) have been entered into within the last two years by the former Aberfoyle group and Flamehope and its subsidiaries and are or may be material.

A. The former Aberfoyle group

(i) Agreement dated 4th January, 1984 between Ivorhope Limited and Aberfoyle whereby Ivorhope Limited agreed to procure that, subject to the admission of the new shares to the Official List and to shareholders' approval of the Proposals, the shareholders of Flamehope transfer their shares in Flamehope to Aberfoyle in consideration of an issue to them of 20,500,000 8p shares of Aberfoyle pro rata according to their holdings in Flamehope.

(ii) Agreement dated 4th January, 1984 between Aberfoyle and Flamehope whereby Flamehope agreed, subject to the completion of the contract detailed in paragraph (i) above and to Aberfoyle becoming resident in the United Kingdom for tax purposes, to transfer to Aberfoyle the whole of the issued share capital of GMHUK in consideration of Aberfoyle assuming all of Flamehope's obligations under the deed poll constituting the Unsecured Loan Stock and the bridging loan.

(iii) Agreement dated 15th November, 1983 between Aberfoyle and The Stockholders Equity Trust whereby, subject to certain conditions, The Stockholders Equity Trust agreed to procure subscribers or in default thereof to subscribe for 3,000,000 8p shares of Aberfoyle for cash at 10p per share less a commission of 1.25%.

(iv) Agreement dated 19th October, 1983 between Aberfoyle and M & G Investment Management Limited whereby, subject to certain conditions, M & G Investment Management Limited agreed to procure subscribers or in default thereof to subscribe for 3,600,000 8p shares of Aberfoyle for cash at 10p per share less a commission of 1.25%.

(v) Agreement dated 15th November, 1983 being the agreement described in paragraph 4(iii) above.

(vi) Agreement dated 11th November, 1983 being the agreement described in paragraph 4(v) above.

(vii) Facility letter dated 13th October, 1983 from Barclays Bank of Zimbabwe Limited to Aberfoyle Plantations (Pvt) Limited in respect of a loan facility of Z$2,000,000 available to Aberfoyle Plantations (Pvt) Limited for a period of five years, repayable in equal tranches at the end of the third, fourth and fifth years and bearing interest at 1.75% over Zimbabwe prime rate.

(viii) Facility letter from Lloyds Bank Plc dated 24th November, 1983 in respect of an overdraft facility of £300,000 available, subject to the Proposals becoming unconditional, to Aberfoyle for a period to 29th December, 1984, subject to normal banking terms.

(ix) Letters from Athena Holdings (Pvt) Limited to Aberfoyle Plantations (Pvt) Limited dated 24th November and 15th December, 1983 regarding the sale of specified net current assets at a book value of Z$672,000 (£434,000). This amount is payable as to Z$300,000 not later than 31st December, 1984 and Z$372,000 not later than 11th May, 1985.

B. The Flamehope group

(i) Sale and Purchase Agreement dated 16th August, 1983 between Flamehope and Guthrie whereby Flamehope agreed to purchase the Zimbabwean subsidiaries through their holding company GMHUK for a consideration of £1,188,000 together with numerous ancillary agreements giving effect to the scheme of reorganisation referred to therein. The agreement contains warranties by Guthrie with provisions that (a) no claim shall arise unless the sum recoverable exceeds £20,000 and unless the amount of all sums recoverable exceeds £60,000, and (b) the total liability of Guthrie for any breach or breaches of the agreement shall be limited to £1,188,000. The warranties, which are limited to matters within the knowledge of Guthrie and exclude matters within the knowledge of Mr B.M. Igoe, cover *inter alia*

(a) the 1982 accounts of the Zimbabwean subsidiaries and their accounting records since that date

(b) the carrying on of the business of the Zimbabwean subsidiaries in the normal course since 31st December, 1982

(c) the beneficial ownership by Guthrie of the shares of GMHUK prior to completion of the acquisition and the beneficial ownership of its subsidiaries by their respective holding companies

(d) the absence of any default on any material contract, any material litigation or well-founded threat thereof, commission of any material breach of contract or act of negligence by any subsidiary or any circumstances giving the right to terminate a material contract which might impede the ability of the relevant company to carry on its main business

(e) the holding by the Zimbabwean subsidiaries of their respective assets free from encumbrances other than those arising in the ordinary course of business or given to employees

(f) the absence of any material problems with the properties occupied by the subsidiaries

(g) the tax position of the Zimbabwean subsidiaries and the absence of any material disputes with relevant taxation authorities

(h) the absence of any material service and consultancy agreements other than those disclosed and of any claims by directors or employees for compensation for loss of office

(i) the absence of any material industrial or trade dispute.

(ii) Agreement dated 16th August, 1983 as varied by an exchange of letters dated 4th November, 1983 between Flamehope and Masimba discharging the agreement mentioned in paragraph (xi) below and whereby Flamehope agreed to procure the issue of 300 new shares of Z$1 each in GMHL representing 30% of the enlarged share capital of GMHL for a consideration equal to approximately 30% of the net asset value of GMHL as at 30th June, 1983 to be satisfied:

(a) by Masimba agreeing to discharge all GMHL's obligations in respect of inter-company loans totalling Z$1,855,078 owed to Guthrie in respect of 217 of the shares of GMHL to be issued, such shares to be issued fully-paid

(b) by deferred payments over a period of ten years ending 31st December, 1991, totalling Z$712,855 and to be satisfied by retention of one half of the dividends payable by GMHL to Masimba during that period with a balancing payment at the end of the period in respect of the balance of the shares to be issued, such shares to be issued partly-paid.

(iii) Deed poll dated 20th October, 1983 constituting the Unsecured Loan Stock. By a letter dated 25th November, 1983 the holder of £200,000 Unsecured Loan Stock agreed, if so requested, to extend the repayment date from 31st December, 1984 to 31st December, 1985.

(iv) Subscription Agreement dated 13th October, 1983 between Flamehope Limited, Ivorhope Limited and other persons whereby those other persons together with Ivorhope agreed to subscribe in total for 100,000 £1 shares and £600,000 Unsecured Loan Stock of Flamehope, at par in both cases.

(v) A memorandum of deposit dated 17th October, 1983 between Flamehope and Lloyds Bank Plc whereby Flamehope charged the shares of GMHUK to secure the bridging loan.

(vi) Loan Agreement dated 21st October, 1983 ("the Loan Agreement") between Guthrie Overseas Investments Limited ("GOIL") and GMHL providing for the repayment of a loan of Z$1,855,078 by six instalments; the first repayment (Z$32,003) was due by 31st December, 1983 and is to be followed by five equal annual repayments of Z$364,616 commencing on 21st October, 1984. The loan earnes interest at the rate of 5% per annum until repayment.

(vii) Novation Agreement dated 21st October, 1983 between GOIL (1), Masimba (2) and GMHL (3) whereby GMHL was discharged from its obligations under the Loan Agreement in consideration of Masimba agreeing to discharge such obligations and GMHL giving to GOIL a guarantee in respect thereof.

(viii) Guarantee dated 21st October, 1983 whereby GMHL guaranteed to GOIL due performance of the obligations under the Loan Agreement assumed by Masimba pursuant to the Novation Agreement.

(ix) Pledge dated 16th September, 1983 between GMHL and Masimba whereby Masimba has pledged its shares in GMHL as security for GMHL's obligations under the guarantee described in paragraph (viii) above.

(x) Guarantee dated 31st March, 1983 whereby GMHL Holdings (Pvt) Limited guaranteed to the Standard Bank PLC Masimba's overdraft up to a limit of Z$100,000.

(xi) Agreement dated 21st January, 1982 between Masimba and GMHL Holdings (Pvt) Limited relating to the acquisition inter alia of 10% of the equity of the Zimbabwean subsidiaries by Masimba. The part of this agreement relating to the Zimbabwean subsidiaries has been discharged pursuant to the terms of the agreement detailed in paragraph (ii) above.

6. General

(i) The proceeds of the shares being issued pursuant to the agreements mentioned in paragraphs 5A(iii) and (iv) above are expected to be approximately £560,000 out of which, after those costs and expenses of the Proposals payable by Aberfoyle (including a commission of 1.25% of the subscription monies payable to the subscribers of the 6,600,000 shares) Aberfoyle will discharge the bridging loan.

(ii) The expenses payable by Aberfoyle relating to the implementation of the Proposals, including capital duty and commissions, are estimated to amount to £100,000 (exclusive of value added tax).

(iii) The directors of Aberfoyle are of the opinion that, on the assumption inter alia that there is no significant change in the Z$/£ exchange rate or in the Zimbabwean regulations or their application concerning the remittance of fees and dividends to the United Kingdom and having regard to bank overdraft and other facilities available, the enlarged Aberfoyle group will have sufficient working capital for its present requirements.

(iv) So far as the directors of Aberfoyle are aware neither Aberfoyle nor any of its subsidiaries is engaged in any material litigation nor are there any claims of material importance pending or threatened against any company in the existing Aberfoyle group.

(v) Save as disclosed herein there has been no material change other than in the ordinary course of business in the financial or trading position of the former Aberfoyle group since 31st July, 1983, the date to which its last audited accounts were made up, or 30th June, 1983 in the case of the Zimbabwean subsidiaries, the date to which their last audited accounts were made up.

(vi) Peat, Marwick, Mitchell & Co., Zimbabwe, Peat, Marwick, Mitchell & Co., London, Messrs Richard Ellis, Zimbabwe and Shaw & Co have given and have not withdrawn their written consents to the issue of this document with references to their names and to the inclusion of their relevant reports and letters in the form and context in which they respectively appear.

(vii) The financial information contained in the auditors' and the accountants' reports and in the pro-forma consolidated balance sheet of the enlarged Aberfoyle group does not amount to full group accounts within the meaning of Section 11 of the Companies Act 1981. Full group accounts relating to the former Aberfoyle group for the four years ended 31st July, 1982 have been delivered to the Registrar of Companies and include unqualified auditors' reports on every year except that ended 31st July, 1982. No such accounts have been so delivered in respect of the other financial information contained in the accountants' report above and the pro-forma balance sheet and no auditors' report has been made thereon, except that an unqualified auditors' report has been made on the former Aberfoyle group's accounts for the year ended 31st July, 1983.

(viii) At 12th December, 1983 the rate of exchange between Zimbabwe and the United Kingdom was Z$1.59 = £1. Except where otherwise indicated this is the rate of exchange used in this document.

7. Documents for inspection

Copies of the following documents are available for inspection at the offices of Coward Chance, Royex House, Aldermanbury Square, London EC2V 7LD during business hours on any week-day (Saturdays excepted) up to and including 22nd February, 1984.

(i) the Memorandum and Articles of Association of Aberfoyle;

(ii) the new Articles of Association of Aberfoyle adopted at the Extraordinary General Meeting;

(iii) The published consolidated accounts of Aberfoyle for the two financial years ended 31st July, 1983;

(iv) the published accounts of each of the Zimbabwean subsidiaries for the two financial years ended 31st December, 1982 and for the six-month period ended 30th June, 1983;

(v) the service agreements referred to in paragraphs 4(iii) and 4(vi) above;

(vi) the material contracts referred to in paragraph 5 above;

(vii) the consent letters referred to in paragraph 6(vi) above.

7th February, 1984

UK COMPANY NEWS

BOC first quarter shows profits upsurge in line with forecast

FIRST-QUARTER FIGURES from the **BOC Group** are bearing out the forecast made in the annual report published in mid-January, and at the operating level the profit has jumped from £30.7m to £48.1m on a modified historic cost basis.

In the last full year ended September 30 1983 profit before tax fell by £6.8m to £95.8m. For the current term the directors forecast a substantial increase, looking for a sharp rise in margins based on signs of a recovery and the extraordinary cost reductions that have taken place throughout the group over the last two and a half years.

The directors point out that the first quarter is seasonally the lowest. "We are still going for a substantial increase in the full-year results," they state.

Including £5.6m exceptional surplus relating to the sale of an investment and a £1m currency gain reflecting the strength of the dollar, the profit before tax for the first quarter shot up from £16.6m to £31.3m. Of the main businesses industrial gases has shown the greatest improvement. That reflects the continued recovery from recession, notably in the U.S. The health care business continues to trade satisfactorily.

Net earnings, after ACT written off, per share undiluted are 6.26p (2.35p) fully diluted 5.63p (2.33p). The tax charge for the period has been reduced by £7.9m (£3.3m) for transactions under the U.S. Tax Equity and Fiscal Responsibility Act.

	First quarter 1983 £m	1982 £m
Turnover	445.9	384.9
Operating costs	360.4	321.6
Depreciation	41.2	35.7
Associates	3.8	3.1
Operating profit	48.1	30.7
Stock gains	1.0	0.2
Interest paid	17.8	14.3
Profit before tax	31.3	16.6
Taxation	3.5	5.9
Minorities	3.5	2.3
Attributable profit	24.3	8.4

See Lex

Radio Clyde joining USM through a share placing

BY ALISON HOGAN

Radio Clyde, the independent radio station which serves over 2m people in Glasgow and much of west central Scotland, is placing 5 per cent of its non-voting shares on the USM. Dealings are expected to begin on February 14.

The radio station has recently won a contract from the Independent Broadcasting Authority to continue transmitting its service in the Glasgow area for a second 10 year period having consistently made profits in the first decade of operation.

"We wanted to establish a wider market for our shares," said Mr James Gordon, managing director of Radio Clyde. The IBA encourages radio stations to broaden their shareholder base when possible. Radio Clyde has at present less than 100 shareholders. The placing is being done by First Northern Corporate Finance, through brokers Parsons and Co.

The placing of 280,710 shares at 60p per share will give a market value to the company of £3.37m. No new money is being raised. In 1983 Radio Clyde raised £750,000 from shareholders to meet some of the cost of a new studio, broadcasting and office premises which were occupied in December that year.

In the year to September 1983, the company made pre-tax profits of £493,000 compared with £76,000. Turnover rose 28 per cent to £4.66m, reflecting a marked improvement in advertising revenue, which continued into the first quarter of the current year, rising from £999,000 to £1.23m.

Clyde Radio has a subsidiary Clyde Electronics which manufactures and installs electronic equipment for the broadcasting and recording industries and is involved in the construction of mobile studios. It contributed £27,000 to group profits last year and is expected to expand.

The USM quotation will assist Radio Clyde in raising finance or making acquisitions in the future, either building upon the electronics business or diversifying into other areas.

The shares will sell on an actual tax historic PE of 5.8 at the placing price and yield 7.14 per cent based on the 3p net dividend for the year to September 1983.

Delfont's FLC some £1m above projection

A PRE-TAX profit that is almost £1m better than forecast has been reported by the **First Leisure Corp.** for the year ended October 31 1983.

Comparative figures from the previous year have not been included in the accounts. Separate figures are given for the period from January 19 1983, when the group acquired the leisure business of Trusthouse Forte.

Turnover for the year was £41.97m on which there was a pre-tax profit of £4.49m. In the period following the acquisition of THF's leisure interests, turnover was £34.74m and the pre-tax profit was £4.77m. After tax of £65,000 and £128,000 and extraordinary charges, the profit figures were £3.2m and £3.66m respectively.

A dividend of 3.5p a share has been recommended. Earnings per share are 23.6p for the full year and 25.4p for the period *from January 19.*

Lord Delfont, chairman and chief executive, had forecast a pre-tax profit of £3.6m, but better margins and tight control of costs coupled with a programme of business disposals, which reduced overheads and interest costs, produced a result considerably better than expected.

Accelerated cash flow reduced gearing to below expectations. Two theatre restaurants in Birmingham and Watford made substantial profit improvements. Chichester Marina also increased profits, but the St Ives holiday village had a disappointing year, in spite of maintained bookings.

Theatre productions had a mixed year. Some summer shows did exceptionally well but others were below expectation.

"Evita" continued its highly successful run at the Prince Edward Theatre and the group recouped its investment in the record-breaking musical "Singin' in the Rain." Lord Delfont stated that before the end of the year the group should start to receive profits from this show.

For the current year, Lord Delfont stated that although no more than a modest growth could be expected in the economy, most aspects of the group were now "in good shape" and he hoped to report further *progress.*

The group is planning to apply for a Stock Exchange listing as soon as possible. This is already being considered by the group's advisers.

Vantona tops £12m and expresses optimism

A TURNROUND in profits for the majority of its companies and the benefits arising directly from the merger with Carrington Viyella early last year enabled **Vantona Viyella** to attain pre-tax profits of £12.05m for the year to November 27 1983.

The results, including those for the former Vantona companies for the 12 months and the former Carrington Viyella companies for the nine months from February 27 1983 compare with a forecast of not less than £11m made last December.

Reported pre-tax profits for the corresponding 12 months totalled £4.29m.

The directors say that much of the group's reorganisation is complete and add that major re-equipment and productivity improvement schemes in the garments, household textiles and uniform division are "well in hand with the benefits beginning to show through."

They point out that the recovery which became apparent at the end of 1983 appears to be sustained and gives grounds for optimism with regard to the current year.

As forecast in December, a second interim dividend (in lieu of a final) of 5p is being paid, making a same-again net total of 8p per 20p share. As earnings topped the expected 22p at 25.7p (14.6p) the second interim will also be paid to shareholders who accepted Vantona shares for their Carrington Viyella interests.

At present the directors intend to recommend dividends totalling 10p for the current year, payable as to 4p as an interim and 6p as a final.

The next dividend due on the original Carrington Viyella pre-*ference shares, will be paid on* the due date, March 31.

The directors say that measures were taken in the first half of the year to concentrate production into more modern units and to eliminate duplicated services, but it was not until the second six months that the effects of these started to come through.

Most divisions produced good results, the only exceptions being the uniform at home and the Italian subsidiaries.

Consoltex Canada, in which the group holds 49.7 per cent of the equity as an investment, is showing greatly improved results. Unaudited pre-tax profits for the nine months to end September 1983 were C$2.52m (£1.42m), against a loss for the same period in 1982 of C$5.92m.

None of this profit was consolidated in the group's results.

Last November the group sold its 50 per cent interest in its UK associate, Guildford Kapwood, to its American partners. Together with other measures, this enabled a material reduction in the level of group borrowings, transforming net overdraft from £24.3m in the pro-forma combined balance sheet to a net credit balance of £6m at November 1983.

Group sales for the year under review totalled £307.33m. This compares with a forecast of not less than £300m and reported figures of £103.45m for 1981/82.

At the trading level profits emerged at £15.52m (£5.74m) before taking account of net interest charges of £4.48m (£1.45m). Associates added £1.01m (nil).

Tax accounted for £2.11m (£1.06m) and below the line minorities amounted to £1.54m (nil).

Attributable profits came through at £6.03m (£76,000) after extraordinary debits of £2.29m (£3.06m) and same-again preference dividend payments of £78,000.

Vantona Viyella is one of the largest suppliers of household textiles to Marks and Spencer and of uniform clothing to the Ministry of Defence.

See Lex

Start up costs still affecting ML Holdings

AS PREDICTED, interim profits of **ML Holdings** were still affected by the front end costs of setting production requirements for the JP233 Airfield *Denial Weapon System.*

For the six months to September 30 1983 pre-tax profits rose from £309,123 to £364,532 on turnover some £2.67m higher at £13.49m.

Mr Ralph Price, chairman, says that ML Aviation has now acquired and fitted out the extra space required for additional *production.* And, he adds, many new computer numerically controlled machines are installed and operational.

Elsewhere, he says that there are still no signs of improvement in the ML Engineering (Plymouth) railway signalling business. He points out, the level and cost of tendering for home and overseas contracts remains high.

ML Components has had a record half year both for orders and sales. Also, Crown Foundry, *now working two shifts, has a* record level order book for general castings and piano frame business both at home and overseas.

The interim payment is being held at 2p net per 25p share. Last year's final payment was unchanged at 5p on pre-tax profits of £926,051.

Tax for opening period took £189,557 (£160,744) giving a net profit of £174,975 (£148,379), or 4.45p (3.73p) per share. Preference dividends will absorb £9,900 (same) and ordinary dividends will take £74,235 (same).

● comment

The airfield denial weapons system called JP233 is in essence what distinguishes **ML Holdings** from the average manufacturer of cast iron piano frames and which has been behind the *steady rise in the share price* since November's low of 240p to a high of 324p. The conundrum for shareholders is just what level of increased profits the chairman is anticipating so confidently "for several years ahead." The answer is shrouded in Ministry of Defence red tape. And when will the lack of new Government R and D work start hurting the bottom line again. Project payments are providing some revenue for ML at this pre-production stage. Real profits will only emerge from the next financial year. ML Aviation accounts for around 70 per cent of turnover. In addition to JP233 the aviation division manufactures defence equipment from bomb racks for Jaguars to rail launchers for the Alarm missile. The rest of the businesses are all showing improvements. The Crown Foundry should be back in profit next year. ML Engineering has turned overseas to find work to augment the little railway signalling equipment BR demands. It is chasing some £40m worth of contracts at present. The ML Components division continues to increase turnover and profits. ML Holdings might be in the market for potential acquisitions, particularly in the aviation field. On the other hand it could become a takeover target itself. It could make £1m pre-tax for the year which puts the shares down 8p at 310p on a prospective p/e of 24.

Unitech 150% ahead to over £5m midterm

AN EXPANSION in pre-tax profits of 150 per cent is reported by electronic component and equipment manufacturer Unitech, for the 27 weeks ended December 3 1983. The directors are confident of a further significant advance in the second half, and are lifting the interim dividend from 1.54p to 1.694p per share on capital after the rights issue last August.

The profit has risen from £2.13m to £5.33m, and this will probably represent a higher proportion of the year's figure than is normal because benefit has come from increasing semi-conductor prices which may not be repeated in the second half. Orders and sales continue to expand at a satisfactory rate, the directors report.

In the period sales rose by 32 per cent, from £52.07m to £68.65m, but this would have been 39 per cent if adjustments were made for disposals and acquisitions. The trading profit moved ahead from £3.09m to £6.06m, subject to interest charges of £728,000 (£958,000).

The component marketing division accounted for the major part of the profit improvement. All companies concerned reported a satisfactory increase, with the recovery in Germany continuing. The three manufacturing divisions also produced a reasonable increase, with particular strength in the power supply companies.

After tax £2.2m (£1.02m), minorities £5,000 (£3,000) and crediting surplus on disposal of subsidiaries £279,000 (nil), the net profit attributable comes out at £3.4m (£1.1m) and earnings are 7.7p (2.8p) per share. A gain of £41,000 on translation of foreign currency items has been taken to retained earnings. The dividend absorbs £707,000 (£583,000).

In the full year ended *May 28* 1983 sales reached £115.81m and the profit before tax was £5.87m. The final dividend came to 2.695p.

● comment

Unitech's more than doubled pre-tax profits sent analysts scurrying to revise their full-year forecasts upwards a couple of million pounds to around £11.5m pre-tax. The turnround at the West German distribution business was stronger than expected and general demand for electronic components has continued to recover vigorously. It looks as if rising semi-conductor prices allowed the group to make substantial — undisclosed — stock profits. These are unlikely to be repeated in the current half, so group margins should slip a little from their present 7.8 per cent of turnover for the year. The rights issue has helped to reduce debt to 25 per cent of shareholders' funds; a figure which will increase as the £2.7m Qualidyne acquisition works its way into the balance sheet. The 13 per cent dividend increase may look a little cautious in view of the fact that it is still more than four times covered, however the directors argue that working capital requirements are building up heavily enough to make that cover just adequate. In a disquieting day for the market as a whole, the shares came off 3p to end at 268p, where the prospective multiple is an undemanding 16.

Elson & Robbins attempting to reduce costs

To counter highly volatile and competitive markets, **Elson & Robbins** is attempting to reduce costs in all areas without reducing efficiency.

Shareholders were told at the annual meeting that while sales of traditional products have increased the mild winter weather has hit sales of LPG heaters and production and costs have been cut accordingly.

Management accounts show that profits, after all charges, for the first three months of the current year were higher at £242,000 against £183,000. However, sales for the period were £1m lower at £4.1m.

Shareholders were also told that the company is actively looking at diversification to increase output in manufacturing units with the objective of adding new product lines to both companies. Mr E. R. Keeling, chairman, stressed his confidence of achieving this within the next 12 months.

Group borrowings continue to improve. Between the end of last September and January this year borrowings were reduced by £1.6m to £550,000.

In the year to last September, the group made a recovery and returned taxable profits of £1.21m compared with losses £0.44m. Following two years of nominal *dividend payments, a single net* payment of 2.5p was paid and the chairman hoped that this return would be of a continuing nature.

Westminster Prop. board changes

BY DAVID DODWELL

FOUR MEMBERS of the board of **Westminster Property Group,** which was taken over by Mr Jim Raper's Milbury property and housebuilding group in October last year, are to be replaced at the end of March, Milbury revealed yesterday.

The changes coincide with plans to halve the gearing of both Milbury and Westminster to below 30 per cent, with a number of property sales in the pipeline.

Milbury said that it will tomorrow unveil its reorganisation plans, which will include the resignations of Mr Peter Newell, managing director of Westminster, Mr Timothy Royle, the group's chairman, and two other long-standing directors, Mr Charles Hardie and Mr George Challis.

Replacing Mr Newell will be Mr Bill Smith, who joined the group as joint managing director late in January. Mr Smith has worked with Mithras Properties, and Mr William Stern, the property entrepreneur, and between 1978 and 1981, worked for European Ferries. Since 1982, he has run his own property company, East Glen.

Mr Newell is understood to be discussing compensation from the group, since he was employed on a four-year rolling contract. He will be retained by Milbury as a consultant.

A Milbury spokesman said yesterday: "We feel Mr Newell did an excellent job, but we are moving into a new stage of the company's development."

Milbury was relisted on the London Stock Exchange in October after a 30-month suspension. This followed the controversial acquisition of Milbury by Mr Raper at a time when Mr Raper was in dispute with the establishment.

COMPANY NEWS IN BRIEF

SUBSTANTIALLY higher profits, up from £236,000 to £1m, are reported by **Isis Industrial** Services for the half-year to September 30 1983. Profits for the whole of the previous 12 months were £948,000.

Turnover of this Swindon-based *engineer improved from* £15.55m to £18.13m.

Trading profits rose from £614,000 to £1.35m, and the pre-tax figure was after interest charges down from £378,000 to £343,000. Tax this time took £9,000, and there were extraordinary debits of £76,000 (£70,000). After minorities of *£63,000 (nil) and dividends of* £144,000 (£132,000), retained profits came out at £710,000 compared with £34,000.

The company's shares are traded on the market formed by Granville and Company.

* * *

The interest rate for this week's issue of local authority bonds is 9¹¹⁄₁₆ per cent, unchanged from last week and compares with 11 per cent last year. The bonds are issued at par and are redeemable on February 13, 1985.

A full list of issues will be published in tomorrow's edition.

* * *

Pre-tax losses of Dublin-based **Heiton Holdings** have been reduced from I£1.09m to I£282,000 *for the six months ended* October 31, 1983.

Turnover of this builders' provider, timber importer, wholesale distributor and merchant rose from £13.91m to £14.49m and again there is no interim dividend.

There was a tax credit of £169,000 (£189,000) but extraordinary items debited £196,000 (nil)—estimate of losses arising in respect of home grown timber, *and profit from sale of Tara* House.

Loss per 25p share was 1.16p, against 9.02p.

* * *

For the six months ended September 30 1983 taxable profits of **Meat Trade Suppliers** fell slightly from £75,000 to £71,000 but the interim dividend is maintained at 1.75p net per share.

Turnover slipped to £3.82m *(£3.86m) and after tax £37,000* (£39,000) earnings were 1.29p (1.37p) per share.

INVESTMENT TRUSTS

Throgmorton plans changes at offshoot

Discussions are taking place between the **Throgmorton Trust, Capital for Industry and Cray Electronics** with a view to settling a proposal for the reorganisation of CFI and Cray.

Throgmorton presently owns 74.9 per cent of CFI which owns *approximately* 52.2 per cent of Cray.

The directors consider that it is in the interests of Cray to cease being a subsidiary. The discussions envisage that Throgmorton and its fellow shareholders in CFI would hold their interests in Cray direct, and that the equity interests of Cray's other shareholders would be effectively unchanged.

It is not contemplated that any changes in the management of Cray or any of the other investments of CFI would result from these proposals.

The other investments of CFI, including 67 per cent of Morphy-Richards, will remain in the ownership of the existing shareholders of CFI. The 25.1 per cent minority in CFI is owned by Mr B. A. Solomon, Mr D. E. Meekins and Sir Anthony Jolliffe.

Net asset value of the Throgmorton Trust totalled 218.21p per 25p share at December 31 1983 taking prior charges at par. Taking prior charges at market value the figure amounted to 217.92p.

Gross revenue for the 12 months to November 30 rose from £4.63m to £7.43m and after expenses and interest of £2.7m, compared with £527,000, and a £486,000 higher tax charge at £1.71m, net revenue emerged at £3.02m, against £2.87m.

Earnings declined from 6.621p to 5.96p but a same-again final dividend of 3.75p holds the net total at 6.5p.

* * *

As at January 31 1984 the net asset value applicable to the 5p capital shares of **Leda Investment Trust** was 146.7p. At the end of 1983 it was 136p.

* * *

Net reserves for **Capital Reserve Fund** for the period June 29 1983 to December 23 1983, stood at £19,969, compared with £31,898. Net asset value per share was £17.16 on decreased capital, compared with £15.81. There is again no interim dividend.

* * *

The net asset value of **Crescent Japan Investment Trust** had expanded to 716.7p by the end of 1983. This meant an increase of 295.3p over the 12 months, after 137.5p at the halfway stage.

In respect of 1983, the trust is holding its dividend at 1.5p net per share from earnings of 1.88p, against 1.7p. The directors propose to make a 4-for-1 scrip issue.

Profit was little changed at £236,857 compared with £238,661.

* * *

Profits of **Fashion and General Investment** fell from £196,487 to £135,895 for the six months ended September 30 1983, but the interim dividend is maintained at 5p net per share.

Income amounted to £156,474, compared with £214,814, and included interest receivable of £79,439 (£148,422).

After tax, £56,171 (£88,591) earnings per share were down from 7.2p to 5.3p.

LADBROKE INDEX
Based on FT Index
801-805 (−14)
Tel: 01-943 5261

Aaronson picks up to £2m and lifts dividend to 2.1p

SECOND half taxable profits of **Aaronson Bros**, veneer merchant, surged from £415,000 to £1m and left the full year figure to September 30 1983 at £2.01m, against £950,000. A record £4m was achieved in 1978-79.

Turnover rose from £71.56m to £80.35m and the dividend is stepped up 0.9p to 2.1p net per share with a final payment of 1.2p. Earnings per 10p share were 5.36p, compared with 1.74p, at the year-end.

Management accounts indicate a substantial improvement in profitability in the opening months of the current year, and directors feel that while it is too early to forecast results for the complete year, a satisfactory outcome is anticipated.

In order to strengthen the group's financial base, for its future growth and development, the board has restructured banking facilities and converted part of the company's short-term borrowing into a 10-year term loan of £7.5m.

The directors state that since the year-end, the group's overall borrowing position has shown a satisfactory reduction.

They point out, however, that this latter exercise resulted in a number of redundancies, mainly from the relocation of the plastic bathroom accessories business, from Lancashire to Hertfordshire, and the rationalisation of the distribution operations. This resulted in the closure of the Nottingham concern and the disposal of the interest in Davilliam Products.

Profits from operations totalled £3.69m, against £2.76m, and the pre-tax figure was after associate losses of £1,000 (£35,000), interest payable, £1.98m (£2.16m), but included interest receivable of £299,000 (£387,000).

Tax charge took £322,000, compared with £203,000, and the attributable profit came through ahead at £1.2m (£506,000) after minorities £138,000 (£203,000), and extraordinary debits of £353,000 (£38,000).

● comment

With the help of a little less competition, a modest increase in demand and slimmer overheads, Aaronson has taken a major step towards full profits recovery. After doubling to £2m tentative forecasts suggest the group could repeat the feat and get back up to £4m in the 12 months to next September. The last time Aaronson produced that level of profit was 1979, before it got caught by a sharp increase in competition from imports during a period of high interest charges. Assuming that level of recovery, it is conceivable the dividend might also be reinstated to 4.2p, lifting the yield at 51p from 6 to 12 per cent. Yet 1984 will not be a complete return to the heydays of '79—profit margins are likely to be nearer to last year's 2½ per cent that the 10 per cent of five years ago. Investors may still feel a little nervous about the level of debt—£13.8m last September against shareholders' funds of £16.4m but debt has since fallen to around £11m and should be a lot lower come the end of the year. A historic p/e of 9.3 on stated earnings is undemanding given the prospects.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Aaronson Bros	1.2	—	0.6	2.1	1.2
Crescent Japan	1.5	—	1.5	1.5	1.5
George Dew	3.4	March 23	3.4	5.7	5.7
Fashion & General int.	5	March 8	5	—	12
Gold Fields SA ......int	36¶	March 28	36	—	100
Howard Shuttering...int	1	March 16	0.55	—	1.55
Meat Trade Supplies int	1.75	—	1.75	—	5.25
ML Holdings ......int	2	April 6	2	—	7
Palmerston Inv ......int	1	March 5	1	—	2.5
Throgmorton Tst.	3.75	—	3.75	6.5	6.5
Unitech† ......int	1.69	April 2	1.54	—	4.24
Vantona Viyella 2nd int	5	*April 6*	*Nil*	*8*	*8*

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. ¶ South African cents. § Unquoted companies.

BASE LENDING RATES

A.B.N. Bank	9 %	■ Hambros Bank	9 %
Allied Irish Bank	9 %	Heritable & Gen. Trust	9 %
Amro Bank	9 %	■ Hill Samuel §	9 %
Henry Ansbacher	9 %	C. Hoare & Co. †	9 %
Arbuthnot Latham	9 %	Hongkong & Shanghai	9 %
Armco Trust Ltd.	9 %	Kingsnorth Trust Ltd.	10 %
Associates Cap. Corp.	9½%	Knowsley & Co. Ltd.	9½%
Banco de Bilbao	9 %	Lloyds Bank	9 %
Bank Hapoalim BM	9 %	Mallinhall Limited	9 %
BCCI	9 %	Edward Manson & Co.	10 %
Bank of Ireland	9 %	Meghraj and Sons Ltd.	9 %
Bank Leumi (UK) plc	9 %	Midland Bank	9 %
Bank of Cyprus	9 %	■ Morgan Grenfell	9 %
Bank of Scotland	9 %	National Bk. of Kuwait	9 %
Banque Belge Ltd.	9 %	National Girobank	9 %
Banque du Rhone	10 %	National Westminster	9 %
Barclays Bank	9 %	Norwich Gen. Tst.	9 %
Beneficial Trust Ltd.	10 %	R. Raphael & Sons	9 %
Bremar Holdings Ltd.	9 %	P. S. Refson & Co.	9 %
Brit. Bank of Mid. East	9 %	Roxburghe Guarantee	9½%
■ Brown Shipley	9 %	Royal Trust Co Canada	9 %
CL Bank Nederland	9 %	■ J Henry Schroder Wagg	9 %
Canada Perm't Trust	10 %	Standard Chartered ‖	9 %
Castle Court Trust Ltd.	9½%	Trade Dev. Bank	9 %
Cayzer Ltd.	9 %	TCB	9 %
Cedar Holdings	9 %	Trustee Savings Bank	9 %
■ Charterhouse Japhet	9 %	United Bank of Kuwait	9 %
Choulartons	10½%	United Mizrahi Bank	9 %
Citibank Savings ¶	10½%	Volkskas Intnl. Ltd.	9 %
Clydesdale Bank	9 %	Westpac Banking Corp.	9 %
C. E. Coates	9½%	Whiteaway Laidlaw	9½%
Comm. Bk. of N. East	9 %	Williams & Glyn's	9 %
Consolidated Credits	9 %	Wintrust Secs. Ltd.	9 %
Co-operative Bank *	9 %	Yorkshire Bank	9 %
The Cyprus Popular Bk.	9 %		
Dunbar & Co. Ltd.	9 %		
Duncan Lawrie	9 %		
E. T. Trust	9½%		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	10½%		
Robert Fraser	10 %		
Grindlays Bank ‡	9 %		
■ Guinness Mahon	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 5.5%. 1-month 6%. Fixed rate 12 months £2,500 8%. £25,000 12 months 9.5%.
† 7-day deposits on sums of: under £10,000 5½%, £10,000 up to £50,000 6½%, £50,000 and over 7½%.
‡ Call deposits £1,000 and over 5½%.
§ 21-day deposits over £1,000 6½%.
‖ Demand deposits 5½%.
¶ Mortgage base rate.

George Dew falls £1m but pays 5.7p again

AS FORESHADOWED, the year ended October 30 1983 proved to be difficult and disappointing for George Dew, Mr W. A. Barcroft, chairman, tells shareholders.

Second half pre-tax profits of this civil engineering concern were halved at £822,000, against £1.63m and left the 12-month figure £1m down at £1.5m. Turnover improved to £28.4m, compared with a restated £25.73m.

At the halfway stage the directors said that the year end result would depend on contract completions and outlook on work being won on highly competitive margins.

For the current year Mr Barcroft says the company is intent on improving its order book and performance, and recovering monies from completed contracts.

"I expect that the present year will be very difficult and it is already clear that profitability will be poor. The construction industry generally has a continuing tough period ahead, but we have the resources to win through to a sound future," he states.

The dividend is maintained at 5.7p net per 25p share with a same-again final payment of 3.4p.

The chairman explains that an excellent result from the Middle East offset problems on certain major contracts in the UK. The group is, however, currently experiencing a reduction in workload in the United Arab Emirates.

Although it is expected that operations in Saudia Arabia will yield a positive cash flow, profitability will be dependent upon renewed progress on the current *landscape contracts which have* been delayed by the cut-back in public expenditure in the Kingdom.

Mr Barcroft says that at home the group's main concern is that there is, as yet, no sign of an improvement in the volume of work available, nor in the margins at which it may be

Pre-tax figure for the 12 months included associate losses of £170,000, compared with £110,000 profits.

The directors point out that a consequential effect of the change to the UK of the Dubai subsidiary's residence for tax purposes, is an increase in the group tax charge to £901,000 (£298,000). After an extraordinary debit last time of £30,000, attributable profits came through at £599,000, compared with £2.21m.

Dividends absorb £456,000 (same) leaving £143,000 (£1.76m) retained. Earnings per share were 7.5p, against 28p.

On a current cost basis the pre-tax figure is reduced to £1.28m (£2.28m).

● comment

George Dew could not be operating in more difficult markets. Its entire profits came from the Middle East, where, after an excellent year, workloads are now beginning to dry up. The bulk of the turnover and an unquantified loss came from the UK, where more than half of the business depends on the Government's increasingly tightly held purse. Orders are building up in the UK, but the improvement is slight and the group is being forced to take on low-margin jobs it would never even have considered a *few years ago. Added* to this, the shift in the Dubai subsidiary's tax residence—which initially allowed the repatriation of historic profits tax free—has lifted the tax charge to 60 per cent, reduced earnings per share by nearly three-quarters and left the maintained dividend uncovered on a current cost basis. In the current year, Dew is using its healthy cash balances to help it break new ground as an independent office and industrial developer. The Snowdonian holiday bungalow contract represents another departure from its traditional civil engineering activities. The shares slipped 10p to 96p, where they yield 8.8 per cent.

Gleneagles forecasts at least £2.2m in bid defence

BY DAVID DODWELL

Gleneagles Hotels, the privately-owned Scottish group, yesterday forecast profits before tax in 1984 of at least £2.2m as it refused to give up the ghost in its resistance to a £27m takeover bid from **Arthur Bell**, the Scotch whisky distiller.

In addition, Gleneagles revealed an asset revaluation of £32.4m, a surplus of £14.4m over net book value. This gives net assets for Gleneagles of £24.88m, amounting to 276p a share.

With these financial details, Gleneagles chairman Mr Alan Smith complained that a "small number of shareholders have, in an unseemly rush, transferred control of the company before other shareholders could have the benefit of seeing the profit and asset figures on which to make a valid judgment."

He referred to a statement by Phillips and Drew that Gleneagles shares would be worth 300p if listed and not subject to a bid. The all-share offer from Bells values Gleneagles shares at about 290p.

"We believe that Bell's should not be allowed to acquire 100 *per cent of the company* unless the price is reasonably in excess of that value," he said. He noted that Bell's had provided no cash alternative, and had not stated that the present offer is final.

Ten days ago, shortly after improving the terms of its offer, *Bell's* revealed that it had won unconditional acceptances from shareholders accounting for just over 52 per cent of Gleneagles shares.

The offer was extended to this coming Friday. No other institutions have since taken up the Bell offer, and all said yesterday they were considering the implications of the latest figures from Gleneagles before deciding whether or not to accept the offer.

The forecast of profits ranging from £2.2m to £2.5m—which compares with profits of £1.2m in 1982—"understates the potential profitability of Gleneagles," according to the document.

The company referred to the fact that none of its four hotels —headed by the prestigious four-golf course Gleneagles Hotel in Perthshire—will be fully operational in 1984. It suggested that "maintainable operating profits" if all four hotels were operating normally would be just under £5.8m.

Financial Times buys U.S. newsletter

The **Financial Times** has reached agreement in principle to acquire **Capitol Publications** Inc, one of the largest and most successful newsletter publishing companies in the U.S.

Mr Frank Barlow, Financial Times chief executive, said: "The FT is one of Europe's biggest newsletter publishers. *Our union with Capitol Publications* Inc should, I believe, make the FT the largest business information newsletter publishing company in the world."

Capitol Publications produces a variety of newsletters in such areas as health, education, energy and communications. Its newsletter Personal Finance has a circulation of some 250,000 and is the leading investment advisory newsletter in the U.S.

Hammerson bid unconditional

Hammerson Property's offer, through its Canadian subsidiary, to acquire the common shares of **Mascan Corporation** has become unconditional. Acceptances of 99 per cent have been received and the offer remains open for acceptances received on or before February 16.

A resolution approving the financing of the acquisition by the issue of Hammerson shares was passed at the EGM yesterday.

Dunlop Holdings

Morgan Guaranty Trust Company of New York has through its wholly owned nominee company, Guaranty Nominees, increased its holding in **Dunlop** *Holdings to 30.65m ordinary* shares or 21.31 per cent, upon which American depositary receipts are issued in the U.S.

The previous notified holding was 29.53m shares or 20.53 per cent.

Travel shops deal

Pickford Travel has bought 11 travel shops situated mainly in Hertfordshire, Bedfordshire and Buckinghamshire, from **Blue Arrow Holidays**. These will continue to operate under the name Blue Arrow Travel, but Blue Arrow Holidays continues to operate as part of the Blue Arrow Group.

Wyndham purchase

Wyndham Engineering is acquiring a freehold property from **Harrowby Street Properties**, a subsidiary of Control Securities, in exchange for 300,000 fully paid ordinary shares worth £240,000. The property has an existing aggregate rental income of £25,000 a year with rent reviews every three years.

Agreed £1.5m offer by Bristol Oil for Osprey

BY DAVID DODWELL

Bristol Oil and Minerals, the recently-reorganised oil finance house headed by Mr Paul Bristol, yesterday agreed a £1.5m cash bid for **Osprey Petroleum**, a small exploration group with interests in the North Sea and the U.S.

Until December last year, Bristol was called KCA International. Renaming of the company followed disposal in October of KCA Drilling, the group's 75 per cent owned subsidiary, to Drilling's management for £22.2m.

Bristol Oil is offering 115p in cash for every Osprey ordinary share. Osprey shares ended on the stock exchange yesterday up 35p at 110p. Bristol shares slipped by 2p to close at 54p.

Osprey was founded in 1971 by Rothschilds to participate in two North Sea oil exploration licences. It has never made a commercial oil discovery, and director Mr Roger Salmon confided yesterday that the group had "rather lost its way."

"We had a lot of cash, and no raison d'etre," he said, noting the group's £1.2m of liquid reserves.

At the interim stage to the end of June last year, the group reported a loss of £4,473.

Mr Paul Bristol said the acquisition fitted well with the reorganised group's plans to increase its exploration and production activities. "It gives us a clean company, with cash in hand, and nine blocks in the North Sea," he said.

City oil analysts suggested Bristol's aim might be to strip from Osprey its North Sea interests, linking these with Bristol Oil. In turn, Bristol might link its interests in Sceptre Oil in Holland with Osprey, making the new group a vehicle for investment in the Dutch oils sector.

SHARE STAKES

Sumrie Clothes—Mr Harvey Michael Ross, of Harvey Michael Investments, having sold 200,000 *Sumrie shares to Le Chevalerique* has purchased a further 25,000 ordinary, making his total holding 571,500 shares (22.86 per cent).

Berkeley Exploration and Production—Bristol Production Services, 100 per cent-owned by Bristol Oil and Minerals, has acquired another 60,000 shares and now holds 1.135m ordinary (11.12 per cent).

Property Securities Investment Trust—County Bank and or its subsidiary and associated companies and/or certain pension funds and trusts under *its management have increased* their interest in the ordinary shares to 2,923,553 (5.24 per cent).

Intervision Video—Yelverton Investment has purchased a further 75,000 ordinary, lifting its stake to 1,325,000.

Bassett Foods — Panmure Gordon and Co., brokers to Avana Group, have sold 25,000 ordinary at 153p on behalf of Avana.

A. G. Barr—As a result of recent transactions Caledonian Investments is beneficial owner of 550,000 ordinary registered *in the name of N. C. Lombard* Street Nominees.

Stock Conversion and Investment Trust—The Equity Trust has purchased 100,000 ordinary and now holds 12,217,500 shares (23.24 per cent). The Kuwait Investment Office has purchased a *further 600,000 Stock Conversion*, lifting its holding to 4.37m (8.34 per cent).

Arthur Bell and Sons—The Gannochy Trust has disposed of 250,000 ordinary, and now holds 6.2m shares (5.56m).

Initial Signal and Control Group—Director Mr R. Holmberg holds 1.44m shares.

R.E.A. Holdings—The International Investment Trust Company of Jersey is interested in 2,175,000 *ordinary* and 19,600 preference shares.

Guinness Peat—Director Mr R. A. W. Caine has disposed of 20,000 ordinary. He has a beneficial interest in 730,000 ordinary and a non-beneficial interest in 240,000 shares.

S. Simpson—Director Mrs G. Andrews has sold 50,000 "A" non-voting ordinary.

Maurice James Industries—As a result of a capital restructuring of Colne Valley Investment the interest of Mr Martin Meade, in MJI, held through CVI in which he is the principal *shareholder, has been reduced* from 1,975,000 to 1,675,000 shares (7.48 per cent). This reduction in *Mr Meade's* interest was not a result of a market transaction and his personal shareholding in MJI remains unchanged at 855,000 shares (3.82 per cent).

Grampian Holdings — Edinburgh American Assets Trust has purchased 150,000 shares and increased its shareholding to 900,000 ordinary (8.864 per cent). The shares are, or will be, registered in the name of Scotcom Nominees B Account on *behalf of EAAT.*

Arthur Wood and Son (Longport) — Sterling Industrial Securities has reduced its shareholding to 98,500 shares, 4.925 per cent of the voting.

Robert Moss—Scottish Investment Trust ha increaed it holding to 1,586,500 (11.4 per cent).

Plaxtons (GB)—Mr F. W. Plaxton, chairman, has sold 50,000 shares, reducing his total holding to 1,403,684 shares.

Powell Duffryn—The Kuwait Investment Office has reduced its interest to 1,859,375 ordinary (4.73 per cent). It was formerly 5.62 per cent.

BIDS AND DEALS IN BRIEF

Charterhouse Development and its associate Charterhouse Development Capital, have invested a total *of £400,000* for 10 per cent of **Mayborn Products**, parent of Dylon packages and distributors of home dyes for clothes, fabrics and shoes.

Productivity and profitability at Mayborn have been increasing over the last five years, with pre-tax profits of over £1m on sales of £12m in 1983. It intends, while maintaining its lead in the domestic field, to diversify through the acquisition of other companies and, ultimately, with Charterhouse's assistance, to seek a flotation.

* * *

Charles Bayne has acquired 75 per cent of **Beaumont Drew**, property management concern. The price paid is by way of an injection of £75,000 working capital.

* * *

The offer by **Grand Metropolitan Investments** for the preference shares of Grand Metropolitan Hotels (Scotland) has been received in respect of 234,075 shares (just over 90 per cent). The offer has become unconditional and will remain open until further notice.

* * *

The **Yorkshire Capital Ventures Fund** has agreed to provide £60,000 in shares to **Holdsworth Electronic Developments**, of Harrogate. The company will also receive a further £35,000 from family shareholders. The finance will be used for additional working capital. The Yorkshire Fund, set up under the Government's Business Expansion Scheme is managed by Capital for Companies.

* * *

Quest International Computers, a subsidiary of **Quest Automation**, is to acquire RAW Computers, based in Camberley, which designs and manufactures a range of microcomputer peripherals.

The acquisition will be completed on *March 1, through a* share issue by Quest Automation of 375,000 ordinary shares in exchange for 100 per cent of the RAW issued capital. RAW will be renamed Quest International Computer Technology.

* * *

Leverhulme Trust has cancelled 24.99m ordinary shares of Unilever, reducing its stake to 8.79m (5.56 per cent).

* * *

Valid acceptances of the offers from **Trafalgar House** for **Candecca Resources**, have been received in respect of 28,092,021 shares (71.2 per cent) making Trafalgar's holding 36,701,822 shares, or 93 per cent.

Holders of 3,123,458 existing Candecca shares have elected to receive the cash alternative, with the remainder accepting in respect of new Trafalgar ordinary shares. The cash offer has now closed.

* * *

The extraordinary meeting of **Aberfoyle Plantations** has approved the acquisition of **Flamehope**, and the placing of a further 6.6m shares at 10p each. This increases the Aberfoyle capital from £409,964 to £2,577,964.

New articles have been adopted, and the name will be changed to Aberfoyle Holdings. Mr Ian Coates was appointed a director and elected chairman.

It is anticipated that relisting of Aberfoyle will be granted on Friday and that dealings will begin next Monday. Shares were suspended on October 21 at a middle quote of 7p.

Nottingham declares its F. Miller equity bid terms to be final

BY RAY MAUGHAN

Hambros Bank, acting for **Nottingham Manufacturing**, yesterday issued another sharp reminder that the equity bid for **F. Miller (Textiles)**, extended until February 16, is "now final and *no further offers* will be made."

The offer has been accepted by holders of 22.65 per cent of Miller's ordinary shares and the bidder emphasises that its terms, worth 38.3p taking Nottingham shares at 230p, compare with net *worth of 19.4p per share at* February 13 last year, assuming deferred taxation is deducted.

The chairman, Mr Frederick Miller, has already warned that Marks and Spencer, the group's major customer, will be excluding the group "from certain *programmes during the latter* part of this year and thereafter" and Miller, as an independent group, would thus face a "bleak future."

However, alternative proposals have been put to Miller's shareholders. Plans to find a bid from *a third party appear to have been* put aside but a team of what has been described as experienced textile managers, currently running their own businesses, are offering themselves as replacement candidates for the Miller board.

It is understood that this new management proposal has been reviewed by all but one of *Miller's* 25 institutional shareholders which have indicated that they will not accept Nottingham's offer but, rather, will vote in favour of the boardroom appointments.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering *dividends. Official indications are not* available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Waring and Gillow, Whitworth Electric.

Finals: Drayton Far Eastern Trust, F and C Enterprise Trust, Martin Ford, *Leisuretime International, Scottish* American Investments.

FUTURE DATES

Interims—	
BPM	Feb 23
Firth (G. M.)	Feb 14
United Real Property Trust	Feb 21
Finals—	
Alexanders Holdings	Feb 16
Isle of Man Enterprises	Mar 5
London and Lomond Inv. Tst.	Feb 15
Ward Holdings	Feb 23

Guinness Mahon declares fund offers unconditional

Offers by **Guinness Mahon Distributor Fund** for holders of the **Guinness Mahon International Fund** have become unconditional as to acceptances.

Acceptances have been received in respect of 83,850,874 participating shares and 225,198,943 accumulation shares, representing 34.82 per cent and 27.59 per cent respectively and 19.19 per cen tin aggregate of the voting rights normally exercitable on a poll at a general meeting of GMIF.

Offers were expressed to be conditional upon valid acceptances being received not later than 3 pm on February 6 in *respect of that number of* participating and accumulation shares which in aggregate carry more than 50 per cent of the voting rights. Directors of GMDF have resolved to waive this condition.

Offers were also expressed to be conditional upon the offer for subscription by GMDF raising a minimum of $1m by February 16.

Offers remain open for acceptance until not later than 3.30 pm on February 16

No probe

The proposed merger between **Tarmac** and **Francis Parker** is not to be referred to the Monopolies and Mergers Commission.

COMPANY NOTICES

MINING NEWS

Inco raises sales and reduces costs but losses persist

BY KENNETH MARSTON, MINING EDITOR

THANKS TO increased sales of all products — nickel, copper, platinum, gold, silver and cobalt — coupled with lower costs Canada's Inco has managed to reduce its 1983 fourth quarter loss to U.S.$54.6m (£38.3m) from $72.1m in the previous three months and a restated loss of $58.3m in the fourth quarter of 1982.

This still leaves Inco with a total loss for 1983 of $243.9m, or $2.69 per share, compared with a restated loss of $203.3m for 1982. The company says that if tax adjustments are not taken into account the latest fourth quarter net loss would have been some 35 per cent lower than that of the 1982 fourth quarter.

For 1983 as a whole, nickel prices received averaged $2.25 per pound compared with $2.71 in 1982, but nickel sales increased to 314m lbs from 251m lbs. Production was also higher at 283m lbs against 201m lbs and the necessity to draw upon nickel stocks to meet the higher sales resulted in the inventory at December 31 falling to 83m lbs from 106m lbs at end-1982.

During 1928 when metal markets were deteriorating, operations were progressively closed down and closure costs amounted to $123m. They eased to $84m last year while selling and general expenses fell by 17 per cent and interest charges were down by 25 per cent.

As a leaner and more efficient animal, Inco is now poised to take swift advantage of any recovery in metal prices. But it seems unlikely that the company can return to profitability in the current quarter, at least.

Low silver and copper prices hitting Asarco

AMERICA'S big producer of non-ferrous metals, Asarco, has managed to stay in profit during the 1983 fourth quarter, but only with the help of special items. The various mining and refining operations produced a loss as a result of the decline in prices of silver and copper, the company's two most important products.

Net earnings for the quarter come out at $11.73m (£8.23m), but are reached after taking in pre-tax income of $32.7m which comprises: $10.4m from sale of tax benefits, $10m from the sale of the stake in the Rochester silver prospect, $5.7m reduction in pension expense arising from a change in actuarial assumptions, $4.4m exchange gains, and $2.2m from the liquidation of last in-first out inventories.

Total net earnings for 1983 come out at $58.33m, or $1.54 per share. They also include a $3.5m net benefit from the capitalisation of exploration expense related to the Aquarius gold mine and pre-tax income from full-year currency gains of $46.1m and LIFO liquidations of $9.4m.

At least they are a good deal better than the result for 1982. This was a total net loss of $74.06m which included extraordinary debits of $35.4m.

Asarco's sales last year rose to $1.5bn from $1.35bn in 1982. From the latest figures it is not easy to gauge how much Asarco's mining and refining operations contributed to the 1983 profit.

However, Mr Ralph L. Hennebach, the chairman, says that better metal prices together with cost reduction measures "accounted for the turnaround in Asarco's results for the year."

But he adds that "at current prices for silver and copper Asarco is not profitable." He points to the growth of world copper stocks which "overwhelmed improving demand in the fourth quarter of 1983."

He says that this growth appears to have levelled off recently, but stocks are still well above normal levels. "A substantial recovery in copper prices, therefore, is not likely to occur until some of these excess stocks are consumed."

Not all is gloom, however, because Asarco is planning to reopen its zinc refinery in Corpus Christi, Texas, where production has been suspended since October 1982. The move has been prompted by the recovery in the zinc market and by the conclusion of labour negotiations with the United Steelworkers of America union.

Little change in GFSA profits in first half

ATTRIBUTABLE PROFITS of Gold Fields of South Africa for the half-year to December 31 were little changed at R65.7m (£37m), compared with R66.3m in the previous first half.

Earnings are shown at 80 cents (45p) per share, compared with 81 cents last time after adjusting for the effects of GFSA's five-for-one share split last October.

The interim dividend is 36 cents, unchanged from the previous year's level after the same adjustment.

Mr Robin Plumbridge, GFSA's chairman, predicted in last September's annual report that the full-year dividend total might be increased "modestly" provided that earnings for the 12 months are at least in line with those for the previous year.

This gives the group a target for the year of 215 cents, which seems to be within range provided there is no further deterioration in the gold price.

GFSA's net asset value per share is shown at 3,743 cents (£21.15), which compares with last night's London closing level for the shares of £15¾.

	Six months ended December 31 1983	
	1983	1982
	Rm	Rm
Investment income	66.1	61.6
Surplus on realn. of invests	—	7.4
Fees, interest and others	32.3	29.5
Making	98.4	98.5
Expenditure	29.7	23.6
Admin., tech. and gen.	17.9	14.9
Interest	1.4	1.6
Drilling and prospecting	10.4	7.1
Profit before tax	68.7	74.9
Tax	2.6	9.1
Net profit	66.1	65.8
Minority interests	0.4	0.5
Attributable	65.7	66.3
	cents	
Earnings per share	80	81
Dividends per share	36	36
Times dividends covered	2.2	2.3
Net assets per share	3,743	3,813

London's Consolidated Gold Fields holds 48 per cent of GFSA.

Iron ore price cuts expected

ACCORDING TO a spokesman for Nippon Steel formal agreement could be reached this week between Australian iron ore producers and Japanese steel mills on price reductions for iron ore shipped to Japan in the fiscal year beginning April 1.

He added that agreement in principle for price cuts of between 11.4 per cent and 12.4 per cent had been reached between representatives of Mount Newman, Hamersley Iron, Robe River and seven Japanese steel mills.

The resultant decrease in the price of fine ore to 26.67 U.S. cents per iron content unit fob from 30.45 cents and a decrease in lump ore to 30.87 cents from 34.85 cents is subject to the approval of the Australian Government and the boards of the companies.

MINING NEWS IN BRIEF

CANADA's Echo Bay Mines has formed a joint venture with Canuc Resources to explore Canuc's Coronation Gulf gold property about 150 miles from Echo Bay's Lupin gold mine in the Northwest Territories.

Exploration work to date suggests that Coronation Gulf contains "measured and partly measured" reserves of 535,000 tons at an average grade of 0.31 ounces (9.64 grammes) of gold per ton, Canuc said.

Echo Bay will spend at least C$1m (£568,000) on exploration this year, with an option to continue thereafter. The company may earn up to 45 per cent in Coronation Gulf by spending C$6m by 1988, with the interest increasing if Echo Bay brings the property into production.

Echo Bay also subscribed for 466,667 Canuc shares at 75 cents each, and has a three-year option for an additional 466,667 shares at the same price.

* * *

Official ore reserve figures for the Harbour Lights and Harbour Lights West gold prospects near Leonora in Western Australia will be released before mid-April, according to the latest quarterly report from Carr Boyd Minerals. The company has 40 per cent of Harbour Lights and 22.5 per cent of the neighbouring deposit, and is in partnership with Esso Exploration.

The company is also expecting to come to a decision about extraction rates shortly. Initial studies have been carried out for various rates ranging between 300,000 tonnes a year and 600,000 tonnes.

The quarterly report also reveals that there is a potential for significant amounts of underground ore, with grades as high as 10.3 grammes of gold per tonne recorded, admittedly over narrow widths (thicknesses).

* * *

Hill Minerals, an associate of Australia's Carr Boyd Minerals, has announced "an initial inferred gold resource" of 405,000 tonnes of ore grading an average of 3.25 grammes of gold per tonne to a depth of 50 metres at its wholly-owned Excelsior prospect at Bardon, near Kalgoorlie in the Eastern Goldfields.

Infill drilling, and exploration at deeper levels, is now under way.

* * *

Canada's McIntyre Mines has turned in a sharply lower net loss for 1983 of C$3.6m (£2m), compared with 1982's deficit of C$74.5m. The results for both years reflect McIntyre's 26.5 per cent interest in Falconbridge.

In the closing three months of last year, McIntyre made net profits of C$5.7m from its coal operations, against a loss in 1982 of C$6.3m. After taking in the Falconbridge holding, consolidated net profits for the quarter were C$8.7m against a loss of C$17.2m.

FINANCIAL TIMES
Wednesday February 8 1984

Uncertain future for UK index-linked stocks, Page 30

WALL STREET

Difficulties continue to dominate

IT WAS a difficult trading session on Wall Street yesterday, when several attempts at a technical rally failed to find much buying support in the market, *writes Terry Byland in New York.*

The leaders showed mixed price changes during the first half of the session but over the broader range, sellers remained in the majority.

Market analysts, accepting that the stock market has undergone a forced correction following the over-optimism of the post-Christmas trading period, are now seeking a new support level for stock prices.

Mr Newton Zinder, vice-president of E. F. Hutton, commented that "there might be a support line between 1,150 and 1,160 on the Dow scale – which is where we were in August." But if this line fails, Mr Zinder sees the market challenging the 1,100 level.

After a firm start – led by a rise in IBM stock to $108⅞, a net $⅝ up – the market turned back sharply in midmorning, then steadied, only to turn back again.

By 2pm, the Dow industrials showed a net fall of 1.99 to 1,172.32 and the Dow transportation average was under pressure again.

But the Dow industrials rallied late to close 6.18 up at 1,180.49.

Credit markets looked nervous, with a very heavy demand at the weekly bill auction opening the way to the sale of $6.5bn in three-year notes. Treasury bill rates held steady yesterday.

But the bond market lost ground again ahead of the auctions of 10-year and 30-year bonds due later this week where yields are expected to move higher.

The reports from Mr Paul Volcker's appearance before the House Banking Committee confirmed the market's awareness of the Fed's concern over the federal deficit.

IBM headed the list of active stocks, and other major issues to find a warmer welcome in the market included AT & T, $⅛ higher at $65; and Chrysler, $⅛ up at $29⅝.

But there was renewed selling of other market leaders. American Express gave up $⅝ to $28⅜, and Merrill Lynch remained on the market hit list, falling a further $⅞ to $25½. Pan American, $⅛ down at $7½, was heavily traded, in a generally weak airline sector. Rail issues, widely held by private investors, came under pressure again. Some private stockholders are now being obliged to sell stock to meet margin requirements imposed by the banks and brokerage houses.

General Motors was $⅜ off at $68⅜ ahead of the year-end results, which were expected to be outstandingly strong.

Other active issues included Baxter Travenol, the pharmaceuticals group, which dipped $⅜ to $21¼ on renewed investor doubt over the earnings outlook. General Dynamics, the defence group, lost $1 to $50⅝ as the latest round of defence contracts was disclosed.

On the American Stock Exchange, there was hefty trading in Petro-Lewis, the oil search partnerships group, which lost a further $⅜ to $5½ in response to the latest downturn in the company's fortunes. Warrants in Petro-Lewis also gave ground, slipping $⅛ to $1½.

But there was some buying of the much-battered high technology leaders. Wang Laboratories at $28 showed a gain of $½ while Tie Communications rebounded $1⅛ to $21¼.

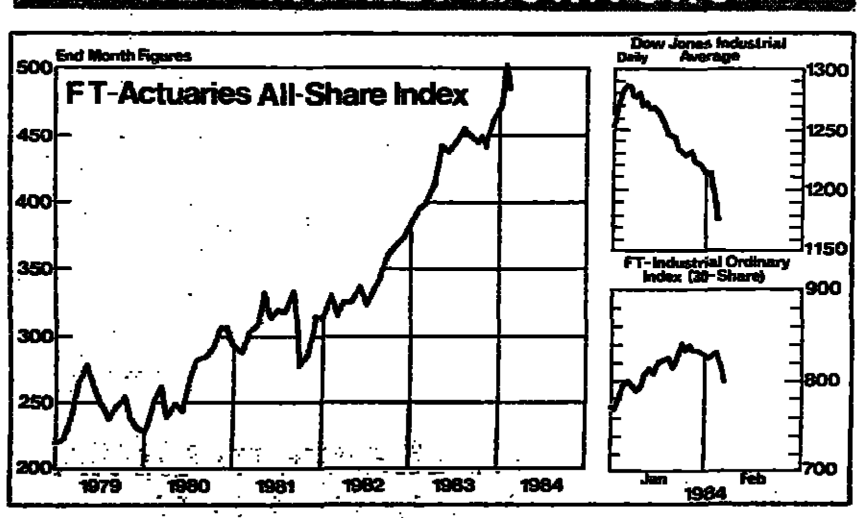
Bond prices began to turn uneasy towards midsession, when the key long bond dipped to 101²⁵⁄₃₂, after touching 100¹⁵⁄₃₂ earlier.

The latest yield of 11.81 per cent showed a gain of 11 basis points since the beginning of the month, and bears out the market's belief that the Treasury will be obliged to offer high yields at the bond auction at the end of this week.

There was little retail interest in the bond market yesterday, and the appearance of some very modest selling orders was enough to depress prices.

The short end of the market was again helped by the Federal Reserve, which announced $1.5bn in customer repurcase arrangements when the Federal funds rate stood at 9¹¹⁄₁₆ per cent. But rates remained steady at around the opening levels.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Feb 7	Previous	Year ago
NEW YORK			
DJ Industrials	1180.49	1174.31	1087.10
DJ Transport	528.79	527.66	483.64
DJ Utilities	130.97	131.26	125.74
S&P Composite	157.44*	158.11	146.93
LONDON			
FT Ind Ord	799.70	815.50	649.40
FT-A All-share	483.75	492.68	404.85
FT-A 500	516.45	525.98	437.93
FT-A Ind	471.38	481.08	413.26
FT Gold mines	583.70	579.20	712.00
FT Govt secs	82.56	82.72	78.09
TOKYO			
Nikkei-Dow	10,060.92	10,121.08	8010.91
Tokyo SE	769.40	773.15	583.47
AUSTRALIA			
All Ord.	762.10	778.30	503.20
Metals & Mins.	551.40	551.40	440.90
AUSTRIA			
Credit Aktien	55.33	55.43	49.17
BELGIUM			
Belgian SE	142.79	145.01	103.82
CANADA			
Toronto Composite	2391.20*	2415.90	2065.00
Montreal			
Industrials	416.66*	420.02	353.24
Combined	402.20*	405.55	340.09
DENMARK			
Copenhagen SE	219.73	221.55	103.51
FRANCE			
CAC Gen	163.70	165.20	103.80
Ind. Tendance	106.00	106.90	107.20
WEST GERMANY			
FAZ-Aktien	359.55	364.98	253.51
Commerzbank	1062.40	1078.50	760.70
HONG KONG			
Hang Seng	1085.40	1134.50	891.01
ITALY			
Banca Comm.	219.35	228.25	186.13
NETHERLANDS			
ANP-CBS Gen	162.20	168.20	105.70
ANP-CBS Ind	133.20	138.30	92.00
NORWAY			
Oslo SE	237.49	238.17	134.77
SINGAPORE			
Straits Times	1062.15	1068.38	774.06
SOUTH AFRICA			
Golds	n/a	872.01	983.50
Industrials	n/a	970.40	813.20
SPAIN			
Madrid SE	109.37	108.59	103.85
SWEDEN			
J & P	1573.37	1593.52	1072.65
SWITZERLAND			
Swiss Bank Ind	364.40	370.70	302.40
WORLD	Feb 6	Prev	Year ago
Capital Int'l	181.50	184.30	157.80

GOLD (per ounce)

	Feb 7	Prev
London	$381.25	$381.50
Frankfurt	$379.75	$380.75
Zürich	$380.00	$381.25
Paris (fixing)	$379.16	$381.08
Luxembourg (fixing)	$379.25	$381.00
New York (Feb)	$381.10	$381.20

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Feb 7	U.S. DOLLAR Previous	STERLING Feb 7	STERLING Previous
$	–	–	1.4095	1.4255
DM	2.7680	2.7405	3.9050	3.91
Yen	234.45	233.05	330.75	332.50
FFr	8.4875	8.4075	11.96	11.9850
SwFr	2.2375	2.2100	3.1550	3.1525
Guilder	3.1250	3.0895	4.4050	4.4050
Lira	1702.50	1687.50	2399	2405
BFr	56.71	56.10	79.95	80.00
C$	1.247250	1.24525	1.7580	1.7745

INTEREST RATES

	Feb 7	Prev
Euro-currencies (3-month offered rate)		
£	9⁷⁄₁₆	9⁷⁄₁₆
SwFr	3½	3⁷⁄₁₆
DM	5⅞	5⅞
FFr	14¼	14⅞
FT London Interbank fixing (offered rate)		
3-month U.S.$	9¹⁵⁄₁₆	9¹³⁄₁₆
6-month U.S.$	10¹⁄₁₆	10
U.S. Fed Funds	9¹¹⁄₁₆*	9¹¹⁄₁₆
U.S. 3-month CDs	9.50*	9.35
U.S. 3-month T-bills	9.05*	9.06

U.S BONDS

Treasury	Feb 7* Price	Feb 7* Yield	Prev Price	Prev Yield
10⅜ 1985	99³⁰⁄₃₂	10.65	100	10.63
11¾ 1991	100¹⁹⁄₃₂	11.62	100²⁵⁄₃₂	11.58
11.75 1993	100⁵⁄₃₂	11.70	100¹¹⁄₃₂	11.67
12 2013	101²⁰⁄₃₂	11.81	101²⁵⁄₃₂	11.75
Corporate	Feb 7*		Prev	
AT & T	Price	Yield	Price	Yield
10⅜ June 1990	94⅛	11.70	93½	11.80
3⅞ July 1990	68⅜	10.80	68⅝	10.75
8¾ May 2000	75¾	12.20	75¾	12.20
Xerox				
10⅜ March 1993	92¾	11.95	92¼	12.05
Diamond Shamrock				
10⅜ May 1993	91⅛	12.15	91⅝	12.20
Federated Dept Stores				
10⅜ May 2013	87½	12.20	87¼	12.30
Abbot Lab				
11.80 Feb 2013	96⅞	12.20	96⅝	12.25
Alcoa				
12¼ Dec 2012	96⅞	12.65	96⅝	12.70

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	70-24	70-29	70-22	70-29
U.S. Treasury Bills (IMM) $1m points of 100%				
March	90.93	90.95	90.91	90.95
Certificates of Deposit (IMM) $1m points of 100%				
March	90.37	90.38	90.35	90.39
LONDON				
Three-month Eurodollar $1m points of 100%				
March	90.17	90.20	90.15	90.20
20-year Notional Gilt £50,000 32nds of 100%				
March	107-30	108-07	107-22	108-33

COMMODITIES

(London)	Feb. 7	Prev
Silver (spot fixing)	610.70p	614.30p
Copper (cash)	£986.50	£987.50
Coffee (March)	£2064.50	£2099.50
Oil (spot Arabian light)	$28.57	$28.60

LONDON

One prime reason for discontent

EQUITIES took another beating in London, with most memories stretched to recall circumstances similiar to those experienced over the past two sessions. Wall Street was singled out as the primary cause for a 15.8 drop in the FT Industrial Ordinary index to 799.7.

Leading shares were marked down at the opening but blue-chip industrials attempted a futile rally as BOC, 22p down at 278p, encountered persistent profit-taking in the wake of the first quarter results.

January's banking statistics had little effect on gilt-edged securities.

Details, Page 31; Share Information Service, Pages 32–33

HONG KONG

SHARES ended broadly lower after an active session in Hong Kong as investors seized the opportunity to take profits following the market's recent sustained upturn.

The Heng seng index shed 48.72 to close at 1,085.40, its largest daily decline since last September.

Part of the decline was attributed to market speculation that Hongkong Land may propose a rights issue in its forthcoming annual report. Shares of Hongkong Land fell 35 cents to HK$3.87

Hongkong Telephone resumed trading after Monday's suspension in the wake of the bid by Cable and Wireless. The utility's shares ended at HK$46, compared with the previous quotation of HK$41 last Wednesday ahead of the long holiday weekend.

SINGAPORE

A FURTHER round of profit-taking left shares easier on the day in Singapore although some buying support during the afternoon took prices off their lows. The Straits Times index shed 6.23 to 1,062.15.

General Lumber was the most actively traded issue, closing 24 cents higher at S$2.49 following speculative support. Bank and blue chip issues were fairly steady at overnight levels.

AUSTRALIA

LOWER gold and base metal prices prompted overseas selling in Sydney and domestic investors quickly followed suit. By the close, the All Ordinaries index was down 16.2 to its lowest level of the year at 762.1.

Selling in resource stocks was attributed to indications that the Turtle One well in the Bonaparte Basin might not live up to early expectations. The well's operator, Western Mining, which added 6 cents to A$4.48 on Monday following improved results, fell back yesterday to A$4.26.

SOUTH AFRICA

THE STEADY bullion price buoyed most Johannesburg gold shares yesterday despite downward pressure from the dollar's strong gains.

Buffels scored a R2.25 rise to R66.25 while Free State Geduld added R1 to R46.50. Gold Fields of South Africa moved against the trend with a R2.25 fall to R26.25 as pre-tax profit for the first six months dropped to R68.7m from R74.9m.

CANADA

LARGE LOSSES continued to mount in Canada yesterday as investors staged a repeat performance of the previous session's plunge. Base metal issues were weakest as golds and hydrocarbon related stocks suffered large declines.

Banks in Montreal fell sharply with sustained pressure also evident on industrials, utilities and papers.

TOKYO

Discouraged investors take cover

THE STEEP overnight decline on Wall Street discouraged investors in Tokyo yesterday, prompting sales of non-ferrous metals and high-priced issues, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow average plunged 60.16 to 10,060.92. Losses sharply outpaced gains by 477 to 258, with 145 issues unchanged. Volume increased from 276.92m shares the previous day to 305.14m.

Despite the general downtrend, KDD remained a favourite, shooting up Y180 to Y20,080 at one stage and closing the day at Y20,000, up Y100. KDD, with a high par value of Y500 compared with Y50 for many other issues, is the first share listed on the Tokyo stock exchange to reach Y20,000.

This popularity was due partly to speculation that the Government may shortly ease its ban on the acquisition of KDD shares by non-residents. Market observers said, however, that investors apparently thought it easy to take profit from KDD stock in view of its violent fluctuations.

Oils and non-ferrous metals, which had attracted speculator interest the previous day, suffered drops. Both buying and selling hit Mitsubishi Oil, with investors wondering what Getty would do with its stake in the oil company if it merged with Texaco. Mitsubishi Oil, 50 per cent Getty owned, advanced Y14 at one stage, but closed the day Y21 down at Y579. Many other oils were lower, with Showa Oil shedding Y11 to Y414.

Among non-ferrous metals, Dowa Mining dropped Y17 to Y628 and Sumitomo Metal Mining Y30 to Y1,470.

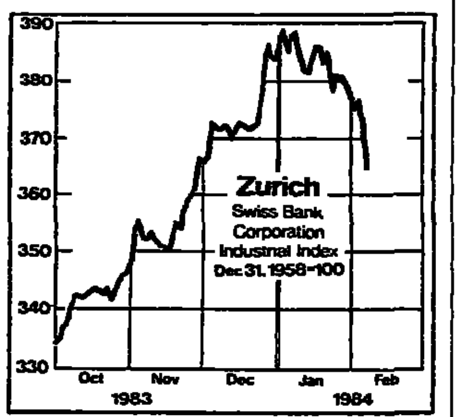
Blue chips also eased on small-lot selling. Matsushita Electric Industrial declined Y30 to Y1,830 and Fuji Photo Y40 to Y2,130, but Sony was firmer, adding Y30 to Y3,740.

Trading in power issues increased, with Tokyo Electric Power and Kansai Electric Power advancing Y10 to Y1,360 and Y30 to Y1,310, respectively.

Meanwhile, the Tokyo exchange announced that the combined buying balance of margin trading on the Tokyo, Osaka and Nagoya exchanges as of last weekend increased Y60.9bn over a week earlier to Y2,360.2bn, registering the fourth straight weekly rise and up Y195.8bn over the period.

The buying balance of Matsushita Electric Industrial, NEC, TDK, Sony and KDD showed marked increases. The selling balance stood at Y289.7bn, up Y10.4bn.

On the bond market, the yield on the barometer 7.5 per cent government bonds maturing in January 1993 dropped from 7.41 per cent to 7.405 per cent as some city and trust banks placed buy orders in large lots of Y10bn.



EUROPE

Gathering clouds disenchant

THE CONTINUED overnight decline on Wall Street again clouded the atmosphere of the major European bourses yesterday.

Uncertainty over the outlook for U.S. interest rates and the dollar also contributed to the unsettled mood in Frankfurt where the Commerzbank index shed 16.1 to 1,062.4 in heavy trading.

The market opened to a renewed round of active profit-taking but later in the day, there were signs that buyers were returning.

The motor sector, which saw substantial advances in the recent rally, was among the hardest hit. BMW shed DM 12.90 to close at the day's low of DM 431 while Volkswagen recovered 50 pfg from its low to end at DM 216.50 – down DM 4.50. Daimler, trading ex rights, shed DM 9.50 to end at its DM 603 low.

Banks were also among the major losers with Commerzbank down DM 4 to DM 180, Dresdner DM 1.70 to DM 178.30 and Deutsche DM 6.30 to DM 380, though all above worst levels.

Bond prices continued their in dull trading and the Bundesbank bought DM 28m of paper to support the market after its DM 5.2m of purchases on Monday.

Sharp falls were widespread in **Zurich** although some issues managed a later recovery. Among the major banks, Union Bank fell SwFr 65 to SwFr 3,555, Crédit Suisse SwFr 35 to SwFr 2,325 and Volksbank SwFr 15 to SwFr 1,530.

All insurance shares fell and engineerings were again under pressure.

Recent losses were again extended in **Paris**. In mostly lower electricals, Alsthom-Atlantique gained FFr 7.40 to FFr 176.90 against the trend in continued net profit for 1983 would be around the same levels as in the previous year.

In oils, the state-controlled Elf-Aquitaine added FFr 1.50 to FFr 208.50 after announcing that its West German subsidiary is to close a refinery.

Substantial fluctuations in prices were seen in **Amsterdam** but an attempted rebound from sharp early declines faded towards the close.

Banks were hardest hit, with ABN down Fl 13 to Fl 409. Among internationals, KLM – which reached Fl 230 last week – continued its decline, shedding Fl 7.80 to Fl 184.

Bonds were unchanged to easier ahead of the 8.5 per cent state loan tender, which closed after bourse trading. Later, it was announced that bids totalling Fl 7.5bn had been accepted for the loan due 1988–91, pricing it at 100.60 per cent to give an effective yield of 8.36 per cent.

Chemicals shares took the brunt of the decline in **Brussels.**

Market leader Petrofina, which led the way up during the recent rally, closed down BFr 50 at BFr 6,930 in thin volume. Elsewhere, Kredietbank was down BFr 140 at BFr 7,150.

Prices were sharply lower in **Milan** with banks and insurances notably weak, while losses were posted in most sectors in **Stockholm.**

But against the general trend, **Madrid** closed higher in quiet trading

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19	9⅛	AAR	.44	2.3	23	568	19	18⅝	19	
52½	30½	ACF	1.40	3.3	202	368	42⅞	42	42½	−⅛
22	18¼	AMCA	n			2	18⅞	18⅞	18⅞	−⅛
18⅞	14⅛	AMF	.50	3.2		2773	15	15½	15½	−⅛
41¼	20¾	AMR Co			14	6782	32⅜	31⅞	32½	+⅞
20¾	16⅛	AMR	pf2.18	11		81	u20⅞	20¼	20⅜	+¼
41½	24⅞	AMR	pf2.13	6.3		546	34	32½	33¾	+½
26¾	23⅞	ANR	pf2.67	11		22	25	25	25	+⅛
22⅞	20	ANR	pf2.12	9.9		3	21½	21½	21½	
16¾	3½	APL			18	51	12½	12½	12½	−⅛
56¼	34¾	ARA	2.05	4.3	10	738	48¼	47¼	47½	−1¼
77¼	50¾	ASA	3a	4.9		500	61⅛	60⅝	60⅝	−⅞
33¾	14⅜	AVX	s .32	1.4	35	149	24	23	23	−1¼
53⅜	36⅛	AbtLab	1	2.2	16	1853	45½	44⅛	44⅞	−⅜
30¾	23¾	AccoW	n .60	2.3	18	68	26¾	26⅛	26¼	−¼
27½	17⅛	AcmeC	.40	1.7		110	24	23¾	23¾	−¼
14⅞	9½	AcmeE	.32b	2.6	78	107	12⅜	12½	12½	−⅛
24⅞	8⅝	AdmDg	.04	.3	11	11	13⅞	13¾	13⅞	
18⅜	15⅛	AdaEx	2.11e	13		153	16⅛	16	16¼	−⅛
19⅜	7⅜	AdmMl	.24	1.5	8	251	15½	15⅝	15⅝	−⅞
18⅝	9⅛	Advest	.12	1.2	9	224	10⅛	10	10¼	−⅛
37½	15½	AMD	s		34	4371	28¼	26⅞	27¼	+1
24⅝	13⅜	Aerflx	s		14	144	14¼	13⅞	14⅛	−½
43⅞	33	AetnLf	2.64	7.4	9	1935	35½	34¾	35⅛	+⅞
65	55¾	AetL	pf5.09e	9.0		436	56½	56⅛	56½	−⅛
40½	24	Ahmns	1.20	4.1	8	3622	30½	29½	29⅝	−⅞
7⅜	3	Aileen				100	4	3⅞	4	−⅛
51	38¾	AirPrd	1	2.3	12	1830	43⅜	42⅞	42⅞	−⅜
30⅞	18⅝	AirbFrt	.60	2.5	20	111	25	24⅛	24¼	−1¼
3	1⅛	AlMoa	s		27	36	3	2⅞	3	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 28

W-W-W

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23¼	19¼	WICOR	2.14	10	8	37	20⅞	20½	20¾	
53½	37½	WabR	pf4.50	9.7		z50	46½	45½	45½	-¾
47½	30⅞	Wachov	1.72	3.9	8	84	44⅛	43⅝	44½	+⅜
34½	21½	Wackht	.60	2.7	14	28	22¼	21⅝	21⅞	-⅝
11⅞	4½	Wainoc				151	8⅛	8⅛	8⅛	-⅛
46⅝	22¼	WalMrt	s .14	.4	27	4158	33⅛	30¾	32½	+1
40½	26½	Walgrn	.72	2.1	15	547	34⅞	34⅛	34⅝	-⅝

Continued on Page 30

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

UK SECURITIES

Deflating the index connection

"IF YOU think the UK Government is serious about inflation then the last thing to do is buy index-linked stocks." That, rather one-sided, comment by a London financial analyst reflects the irony of the steady build-up of index-linked securities in the Government's funding programme since they first went on sale in 1981, *writes Philip Stephens in London.*

In nominal terms index-linked gilts now account for some 9 per cent of the more than £60bn ($113bn) of total outstanding government stock.

In the nearly three years they have been available, inflation – and, perhaps more importantly, expectations about inflation – has fallen sharply, much diminishing the apparent appeal of holding a store of real value.

The issues have taken London by stealth rather than by storm and, with the Chancellor of the Exchequer speaking of price stability as his ultimate objective, inflation-tied funding faces an uncertain future.

The stocks have certainly not brought the revolution in financial markets that many predicted in the years of controversy surrounding their introduction.

Lord Richardson, the former Governor of the Bank of England, waged a fierce battle against index-linking. Other senior figures alleged that it was an admission of defeat in the fight against inflation, or that a rush of capital into the new gilts would wreck the equity market.

The stampede into index-linked, which many had forecast, did not happen, and pension fund managers who thought they might be out of a job continued to deal in a wide range of assets.

Instead, they have proved what the *authorities would claim as a modest success*, slotting into the ever-expanding range of gilts which the central bank uses to fund the public sector borrowing requirement.

The key question now is whether the UK Government keeps up a steady flow of index-linked gilts aimed merely at maintaining the stocks' relative position in overall funding, or whether it seeks to push for further increases in their share of the total.

It is clear that the reception the market has given so far to the stocks had disappointed the Treasury, and it would like to see them grabbing a bigger share of funding.

With relatively high nominal yields on conventional stocks, and inflation running at around 5 per cent, it is difficult to see a cheaper way of raising cash.

There seems little doubt that the authorities would like to increase the proportion of indexed stocks in the total funding operation and generally to broaden sales so that a more lively secondary market could be established in the stock.

A first glance at the accompanying table, prepared by brokers James Capel & Co., would suggest that for zero rate taxpayers conventional gilts at present offer a better return.

The "break-even" inflation rate for this category, which includes most institutions, is around 7 per cent, so an investor confident that the Government will keep inflation down to present levels is better off in conventional stock.

For standard rate taxpayers, however, the calculation becomes much finer, with an increase in the retail price index of 5 per cent of above tilting the balance to index-linked stocks.

Investors in the top-rate bracket have to be even more optimistic about inflation before preferring conventional securities.

Mr Roger Bootle, chief economist at brokers Capel-Cure Myers, also believes the premium on the real value guarantee offered by index-linked is underrated.

A guaranteed real return of 3 per cent or above is an attractive proposition by past standards, and any institution with real value liabilities should maintain a core of index-linked stock in their portfolios, Mr Bootle argues.

Mr Stephen Lewis, chief monetary economist at Phillips and Drew, points out that the economy is now in the cyclical stage least favourable to inflation-tied securities, but any upturn in inflationary expectations could bring a significant turnround.

Mr Robert Balantine, gilt analyst at James Capel, says that index-linked could also prove attractive to investors worried about the risk of falling returns from equities.

Those potential advantages apart, however, the short-term prospect for any major shift into index-linked stock looks weak.

The building societies, which are interested in the short end of the market and the cash flow generated by high coupons, have yet to be tempted into index-linked.

The concentration of stocks at the long end of the market also attests to their limited appeal, with pension funds the major holders and many stocks having only 1,000 or so separate holdings.

Only the 1988 issue, with holdings totalling more than 25,000, has anything like the spread of ownership of conventional gilts.

So, although the appeal of index-linked can be understated, it does appear that the best boost for this particular market would come from a government failing in the battle against inflation.

BREAK-EVEN INFLATION RATES FOR UK INDEX-LINKED STOCKS

Stock	Price	Real† Yield	Income tax 0% Gilt‡ Yield	Income tax 0% Break-even § inflation Rate	Income tax 30% Gilt‡ Yield	Income tax 30% Break-even § inflation Rate	Income tax 75% Gilt‡ Yield	Income tax 75% Break-even § inflation Rate
I-L2 % 1988	104½*	3.81	10.70	7.1	7.34	4.0	5.42	3.0
I-L2 % 1990	91	3.67	11.23	7.8	7.47	4.3	4.57	2.2
I-L2 % 1996	105⅝	3.56	11.16	7.7	7.20	4.3	3.98	2.0
I-L2½% 2001	97	3.33	10.70	7.5	7.23	4.7	4.77	3.4
I-L2½% 2003	96	3.27	10.36	7.2	7.23	4.7	4.77	3.5
I-L2 % 2006	99⅛	3.16	10.38	7.3	7.23	4.7	4.77	3.3
I-L2½% 2009	95⅝	3.17	10.38	7.3	7.23	4.9	4.77	3.6
I-L2½% 2011	100½	3.10	9.97	6.9	6.85	4.5	3.37	2.2
I-L2½% 2016	92	3.04	9.97	7.0	6.85	4.6	3.37	2.3
I-L2½% 2020	91¾	2.98	9.97	7.1	6.85	4.7	3.37	2.4

* Clean price † Assuming future inflation rate is 5.3 per cent ‡ Yield after appropriate tax on income of most attractive comparable conventional stock. Note that, broadly, the higher the tax rate, the lower the coupon of the comparable stock. § Inflation rate required to give same total return on I-L stock as on conventional stock. Source, James Capel

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 29

NEW YORK CLOSING PRICES

Continued from Page 29

CANADA

DENMARK

NETHERLANDS

AUSTRALIA

JAPAN (continued)

FRANCE

NORWAY

HONG KONG

SPAIN

GERMANY

SINGAPORE

SWEDEN

JAPAN

AUSTRIA

SOUTH AFRICA

BELGIUM/LUXEMBOURG

SWITZERLAND

ITALY

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Indices

NEW YORK-DOW JONES

	Feb 7	Feb 6	Feb 3	Feb 2	Feb 1	Jan 31	1983-84 High	1983-84 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	1180.49	1174.31	1213.88	1213.88	1212.31	1220.58	1286.64 (6/1)	1174.31 (6/2)	1287.2 (25/11/83)	41.22 (2/7/32)
Transport	528.72	527.66	555.42	555.42	550.5	554.69	612.63 (6/1)	527.86 (6/2)	612.63 (6/1/84)	12.23 (8/7/32)
Utilities	130.97	131.26	132.9	132.9	132.85	132.76	134.83 (6/1)	130.39 (20/1)	163.32 (20/4/69)	10.85 (28/4/42)
Trading vol 1000's†	10764	9080	11158	11158	7100	13550	-		-	-

	Feb 3	Jan 27	Jan 20	(Year Ago Approx)
Ind div yield %	4.55	4.43	4.33	4.99

STANDARD AND POORS

	Feb 7	Feb 6	Feb 3	Feb 2	Feb 1	Jan 31	1983-84 High	1983-84 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	178.39	177.46	183.68	183.68	183.03	183.9	190.64 (6/1)	177.46 (6/2)	193.22 (22/6/83)	3.52 (30/6/32)
Composite	158.74	158.08	163.36	163.36	162.74	163.41	169.28 (6/1)	158.08 (6/2)	170.99 (22/6/83)	4.4 (1/6/32)

	Feb 1	Jan 25	Jan 18	Year Ago (Approx)
Ind div yield %	3.85	3.76	3.69	4.45
Ind. P/E Ratio	13.28	13.49	13.78	11.18
Long Gov Bond Yield	11.57	11.54	11.51	10.93

N.Y.S.E. ALL COMMON

Feb 7	Feb 6	Feb 3	Feb 2	1983-84 High	1983-84 Low
-	-	-	-	442.82 (6/1)	79.79 (24/1)

RISES AND FALLS

	Feb 7	Feb 6	Feb 3
Issues traded	2009	996	1989
Rises	681	302	852
Falls	943	391	751
Unchanged	385	303	386

MONTREAL

	Feb 7	Feb 6	Feb 3	Feb 2	1983-84 High	1983-84 Low
Industrials	421.41	419.74	428.22	428.22	451.4 (6/1)	419.74 (8/2)
Combined	406.33	405.26	413.4	413.4	433.87 (6/1)	405.25 (8/2)
TORONTO Composite	-	-	-	-	2585.7 (6/1)	2480.0 (30/1)

U.S. INDICES: CLOSING VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

	Feb. 7	Feb. 6	Feb. 3	Feb. 2	1983/84 High	1983/84 Low
AUSTRALIA						
All Ord. (1/1/80)	762.1	778.3	776.8	787.4	787.9 (9/1/84)	487.8 (4/1/83)
Metals & Minls. (1/1/80)	533.2	551.4	547.2	550.5	614.2 (6/8)	411.8 (4/1/83)
AUSTRIA						
Credit Aktien (2/1/62)	56.33	55.45	55.48	55.42	59.8 (5/5)	46.48 (15/2/83)
BELGIUM						
Belgian SE (31/12/63)	142.79	145.01	146.38	147.20	148.23 (1/2/84)	109.50 (4/1/83)
DENMARK						
Copenhagen SE (3/1/83)	219.73	221.55	222.47	221.48	226.21 (20/1/84)	100.00 (3/1/83)
FRANCE						
CAC General (31/12/82)	168.7	165.2	168.1	169.2	175.1 (25/1/84)	96.1 (3/1/83)
Ind Tendance (30/12/83)	106.0	106.9	109.4	110.6	114.7 (25/1/84)	99.4 (3/1/84)
GERMANY						
FAZ-Aktien (31/12/58)	358.55	364.88	370.28	370.84	370.84 (2/2/84)	241.88 (25/1/83)
Commerzbank (1/12/53)	1062.4	1078.5	1094.5	1096.5	1096.5 (2/2/84)	727.9 (25/1/83)
HONG KONG						
Hang Seng Bank (31/7/64)	1085.40	1134.12	(c)	(c)	1134.12 (6/2/84)	680.86 (4/10)
ITALY						
Banca Comm Ital. (1972)	219.35	228.25	229.14	227.21	229.57 (1/2/84)	160.45 (10/1/83)
JAPAN**						
Nikkei-Dow (16/5/49)	10060.9	10121.1	10154.1	10156.3	10235.7 (30/1/84)	7803.18 (25/1/83)
Tokyo SE New (4/1/68)	769.40	773.15	775.85	775.88	779.02 (1/2/84)	574.51 (25/1/83)
NETHERLANDS						
ANP-CBS General (1970)	162.2	168.2	174.6	174.5	178.9 (1/2/84)	100.1 (4/1/83)
ANP-CBS Indust (1970)	133.2	138.3	144.1	144.6	147.2 (1/2/84)	83.5 (4/1/83)
NORWAY						
Oslo SE (4/1/83)	257.49	258.17	242.67	248.37	247.85 (1/2/84)	89.01 (4/1/83)
SINGAPORE						
Straits Times (1966)	1062.15	1058.38	(c)	(c)	1071.01 (31/1/84)	712.29 (5/1/83)
SOUTH AFRICA						
Gold (1958)	(u)	872.1	880.8	894.4	1089.5 (1/2/83)	681.4 (1/11)
Industrial (1958)	(u)	970.4	975.0	972.1	1009.4 (9/1/84)	704.9 (3/1/83)
SPAIN						
Madrid SE (30/12/83)	109.37	(c)	108.59	108.59	109.87 (7/2/84)	100.00 (30/12/83)
SWEDEN						
Jacobson & P. (1/1/58)	1573.37	1583.52	1594.5	1578.12	1594.5 (3/2/84)	896.18 (3/1/83)
SWITZERLAND						
SwissBankCpn. (31/12/58)	364.4	370.7	376.4	375.1	388.7 (3/1/84)	294.4 (4/1/83)
WORLD						
Capital Intl. (1/1/70)	—	181.5	184.3	185.6	187.2 (20/1/84)	154.3 (3/1/83)

** Saturday February 4: Japan Nikkei-Dow 10,085.39. TSE 773.12.

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON STOCK EXCHANGE

MARKET REPORT

U.S. influences again to blame for sharp equity setback

Index down 15.8 more at 799.7

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jan 30	Feb 9	Feb 10	Feb 20
Feb 13	Feb 23	Feb 24	Mar 5
Feb 27	Mar 8	Mar 9	Mar 19

* "New-time" dealings may take place from 9.30 am two business days earlier.

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jan 30	Feb 9	Feb 10	Feb 20
Feb 13	Feb 23	Feb 24	Mar 5
Feb 27	Mar 8	Mar 9	Mar 19

* "New-time" dealings may take place from 9.30 am two business days

London equities took another beating and at one stage the setback in the FT Industrial Ordinary share index exceeded Monday's heavy loss. Late technical covering finally reduced the index fall, 17.3 at 2 pm, to one of 15.8 at the close of 799.7. Memories were stretched to recall circumstances similar to those experienced over the past two sessions, which have lowered the index nearly 4 per cent, but over the full September 14, 1981 Account the measure dropped 14.2 per cent.

Once again, the weakness of London and other international markets were blamed on Wall Street. The loss of confidence there over Government economic and financial policies continued early yesterday following the Federal Reserve Board chairman's warning that current account deficits would endanger growth and stability. He also stressed the need for continued credit restraint.

Because of the overnight New York weakness, equity dealers here were in no mood to take chances and lowered leading shares sharply at the opening. Some recent market favourites still came under selling pressure but other areas of the market escaped virtually unscathed. By late morning blue chip industrials were attempting to rally but the movement faded as BOC encountered persistent profit-taking sales in the wake of the first-quarter results.

Thereafter the market traded nervously to lower levels anxiously awaiting the Wall Street opening. The trend there was slightly easier in the early trade but London steadied on professional bear covering. Of the 30-share constituents, four sustained double-figure falls and only three were unchanged on the day. TI alone resisted the trend and managed a gain of 2 to 206p.

Royal Bk. of Scotland up

January's banking statistics had little affect on Gilt-edged speculation of a bid from Hong cent in sterling M3 being in line with expectations. Longer-dated quotations hovered either side of Monday's list levels before closing slightly easier on balance; applications for the new Exchequer 9¾ per cent 1998 stock, £25 payable on tender, must be submitted by 10 am this morning. Shorter maturities also settled fractionally off.

Providing the only touch of colour in a drab banking sector, Royal Bank of Scotland closed 13 better at 219p on revived speculation of bid from Hong Kong and Shanghai; the latter eased a few pence to 77p on domestic influences. The clearers remained unsettled by Budget tax fears but closed around 5 above the day's lowest. Barclays, which open the dividend season on March 5, ended 8 off at 502p, after 498p, while Lloyds gave up 13 to 537p, after 535p, and Nat West declined 10 to 705p, after 700p. Midland, however, held the overnight level of 395p. Elsewhere, fading bid hopes brought Minster Assets back to 126p before a late rally left the a close of only 5 down on balance at 131p. Hambros, 145p, and Kleinwort Benson, 430p, lost 8 and 10 respectively.

Closing falls among Composites ranged to 13. General Accident lost that much at 440p and GRE relinquished 10 to 535p, while Royals dipped 8 to 525p and Phoenix 7 to 432p. In Lloyds Brokers, Hogg Robinson eased a few pence more to 162p on profit-taking; the latter's 8½ per cent Unsecured Loan 1995-2000 were adjusted from £75 to £96 on the proposed early redemption of the stock at par. Pearl, 12 lower at 887p, led the retreat in Life issues.

Budget worries continued to plague the drinks sector. Bass led Breweries lower with a fall of 6 to 303p and Wolverhampton and Dudley sustained a similar loss at 236p. Allied Lyons gave up 3 at 149p and Whitbread A cheapened 4 to 139p. Elsewhere, Distillers eased a couple of pence to 253p, Cidermakers H. P. Bulmer shed 5 at 235p.

Many leading Buildings withstood early selling, but RMC met with rather more persistent offerings and shed 13 to 416p. Tarmac also remained vulnerable and slipped 6 for a two-day fall of 16 to 430p. Recently-buoyant John Laing came back 5 to 171p and AMEC lost a similar amount at 219p. Barratt Developments were additionally burdened by predictions that housing starts were likely to fall this year and eased 4 to 178p. Profit-taking clipped 10 from Taylor Woodrow, 650p, and 6 from Marchwiel, 210p, while poor preliminary profits left George Dew 10 down at 96p. On the other hand, Howard Shuttering added 5 at 48p following better-than-expected interim results. Occasional buying left Arncliffe 3 dearer at 74p.

Marked down to 584p at the outset in line with other blue-chips, ICI picked up to 590p before closing a net 4 off at 588p. Other Chemicals also gave fresh ground and Laporte shed 8 more to 370p, while Allied Colloids slipped 5 to 305p. Croda International failed to be influenced by favourable Press mention and eased 2 to 104p. Resisting the trend, Scottish Agricultural Industries hardened a couple of pence to 312p awaiting tomorrow's preliminary results.

Stores dull

Leading Stores succumbed to the general malaise. Reflecting the liquidation of speculative positions, House of Fraser fell 8 to 266p. Gussies A lost the same amount to 585p with sentiment adversely affected by a television documentary highlighting the so-called "sweatshops" of Bangkok which supply cheap clothes to the UK market; Debenhams, also mentioned in the programme, fell 4 to 148p. Marks and Spencer cheapened 4 to 219p and W. H. Smith A dipped 6 to 130p; the latter's interim figures are scheduled for next Wednesday. Elsewhere, the surrounding dullness took the shine off of Vantona Viyella's good profits performance and the shares closed 9 down at 200p. G. B. Castle, at 86p, gave back 7 of the previous day's gain of 15 which followed brokers' Vickers Da Costa's recent visit to the company. Currys, 283p and Dixons, 245p, fell 10 apiece, while Comet declined 7 to 128p. Recently buoyant jewellery concerns gave some ground on profit-taking. Ratners shed a few pence to 51p as did Aesis, to 29p.

Leading Electricals held up relatively well, fluctuating narrowly around lower opening levels. Plessey ended 6 off at 206p and GEC 4 cheaper at 180p. Elsewhere, Cable and Wireless, 10 down at 305p, remained on offer following the company's bid for the outstanding shares in Hong Kong Telephone. Speculative favourites to react sharply included Arlen, 23 lower at 112p, Bowthorpe, 10 off at 250p, and Electro-Protective, 14 cheaper at 148p. Micro Focus dipped 40 to 610p in a restricted market. Down to 250p at one stage, Unitech rallied smartly following the good interim results to close only 3 off on balance at 268p. Immediate Business Systems, however, continued to reflect the bigger interim loss and fell 3 more to 80p, after 75p. Against the trend, Michael Black hardened a penny to 56p late on the counter-bid from Emess Lighting; original bidders Highgate and Job came back immediately with an increased share exchange offer.

TI resisted the trend and settled a couple of pence up on the day at 206p. Hawker reacted 10 to 396p in line with other recent U.S. favourites, while Vickers, still depressed by recent adverse comment, eased 5 more to 126p. ML Holdings reacted 8 to 310p following the interim figures.

Marked down at the outset, leading Foods encountered buyers at the lower levels and staged a tentative rally before drifting off again to close at, or near the day's lowest. Cadbury Schweppes, however, down to 118p initially, picked up to close without alteration at 120p, but Rowntree Mackintosh, additionally depressed by news of further lay-offs at its York factory, closed 6 lower at 232p. Among Retailers, Associated Dairies and Tesco shed 6 apiece to 146p and 168p respectively, while Dee Corporation gave up 10 to 450p. Elsewhere, profit-taking clipped 5 from Bio-Isolates at 110p and 10 from Pyke Holdings at 172p. Bassett slipped to 148p before rallying to close without alterations at 153p; Bidders Avana has sold 25,000 of its holding of 110,000 Bassett shares at 153p per share. The interim profits standstill left Meat Trade Suppliers 3 cheaper at 90p.

Hotels and Caterers contributed to the overall dullness. Grand Metropolitan shed 8 more to 322p and Trusthouse Forte eased 5 to 201p. Ladbroke, however, were resilient and hardened a penny to 227p. Norfolk Capital, in which Kennedy Brookes recently acquired a 6.59 per cent stake, shed 3 to 46p, while Stakis, good of late on takeover speculation, eased 2 to 106p.

BOC on offer

Disappointed by the inclusion of an exceptional profit of £5.6m in the first-quarter figures, short-term holders sold BOC Group which closed at the day's lowest of 278p, down 22. Other falls among Miscellaneous leaders were more modest, although recent U.S. favourites Glaxo, 753p, and Bowater, 267p, reacted 17 and 9 respectively. Metal Box were also noteworthy for a fall of 15 at 323p, while Reed International lost 16 to 420p. Widespread and sometimes substantial losses were recorded elsewhere in the sector. Sustained recently by the Southampton freeport decision Associated British Ports fell to close 13 cheaper at 260p. News that the company's supplier of Sirius personal computers had been forced into bankruptcy, unsettled Applied Computer which tumbled to 560p before staging a rally to close 40 down on balance at 575p. Bespack fell 15 to 283p, while Fobel, the subject of recent speculative interest, reacted 8 to 104p. Suggestions that the Government may provide only half of the £437m development aid for the A320 European Airbus, prompted fresh dullness in British Aerospace, down 6 more at 216p. The liquidation of recent speculative positions left Chamberlain Phipps 7 off at 74p, but Evode resisted the trend, rising 7 to 131p on provincial buying.

A couple of Leisure issues managed to resist the trend. Pineapple Dance Studios out on 6 to 123p on news that British Car Auctions had built up a 7.5 per cent stake in the company, while SelecTV, still responding to BPCC's increased holding, added 4 for a two-day gain of 8 to 34p.

Notable casualties in Motors included Lucas, 6 down at 205p, Dowty, 7 lower at 135p, and Lex Service, 12 off at 375p. Dunlop lost 3 to 41p. Dealings in Hanger Investments, 34p, were suspended at the company's request pending an announcement.

A rising market of late on hopes of a bid from Mr Robert Holmes à Court, who currently owns just over 9 per cent of the group's share capital, Fleet Holdings succumbed to profit-taking yesterday and fell 10 to 180p. Among Paper/Printings, Bunzl shed 8 to 410p and Carlton Communications dipped 10 to 425p.

An early mark-down in the Property sector failed to deter sellers and quotations usually closed at the day's lowest. Land Securities gave up 6 at 254p and MEPC shed 5 at 255p, while recent favourite Haslemere Estates slipped 10 to 478p. Hammerson "A" lost 20 to 785p. Similar conditions prevailed among secondary issues. Greycoat Estates finished 8 off at 156p and Stockley 4 cheaper at 66p. Profit-taking left C. H. Beazer 10 down at 316p and Peel Holdings 6 easier at 216p. Movements against the trend were few, but Rush and Tompkins attracted speculative interest and added 4 at 214p.

Courtaulds took its decline over the past two trading sessions to 10, falling a further 6 yesterday to 135p. Elsewhere in quietly dull Textiles, Coats Patons lost 5 to 102p, while the highly volatile Harold Ingram ended the same amount down at 395p.

Awaiting tomorrow's preliminary results, Imps eased to 150p but recovered to close at the overnight level of 153p. Bats lost 4 afresh to 182p.

Financial Trusts were featured by weakness in Exco, which fell 28 to 587p and Mills and Allen, 20 down at 365p. Mercantile House came on offer at 400p, down 18, while Akroyd and Smithers lost 15 to 485p.

Atlantic resources fall

General market sentiment and the absence of drilling news in the wake of reports that the group was experiencing operating difficulties sparked off another wave of selling in Irish exploration issue Atlantic Resources which dipped to 495p before settling a net 48 down at 512p, a two-day drop of 71. The oil majors held up well given the market's distinctly dull performance and, apart from Shell, which encountered further profit-taking and shed 10 to 615p, losses were minimal. British Petroleum, down to 420p initially, rallied on cheap buying to close without alteration at 425p. Britoil ended a penny dearer on balance at 218p, after 215p. Ultramar finished 7 off at 658p while Burmah encountered late offerings to close 6 down at the day's lowest of 170p. Berkeley Exploration erased an early fall of a few pence to close unchanged on balance at 108p on news that Bristol Oil and Minerals had increased its stake in the company to 11.12 per cent.

Renewed selling ahead of tomorrow's annual figures left Lonrho 4 down at 124p.

Golds steadier

Opening easier on a lower bullion price and scrappy Cape selling, South African Golds encountered only scant London selling pressure. The latter was offset by small buying from Continental sources and later a more sizeable demand from New York which left the sharemarket a shade firmer for choice.

Bullion, down to $379.25 at the morning fix, rallied to close only $0.25 lower at $381.25 per ounce.

Gains among Heavyweights stretched to around a point with Southvaal that much dearer at £41⅞, and Vaal Reefs ⅞ better at £81⅞. Kloof, £33, Kinross, £16⅞, and Western Holdings, £31½, all firmed ⅜. Among the more marginal counters, Grootvlei improved 24 to 973p, while Consolidated Modderfontein rose 25 at 296p.

The Gold Mines index recovered some composure and closed 4.5 up at 583.7.

London-domiciled Financials continued to reflect the shake-out in equities, although dealers reported scattered support at the lower levels. This followed a better performance by base-metals and left prices above the worst. RTZ closed 17 off for a two-day fall of 39 at 648p, after 645p, while Charter shed 10 to 225p, after 223p. Consolidated Gold Fields dipped to 542p before settling a net 11 cheaper at 545p: the 48 per cent-controlled South African associate GFSA hardened a fraction to £15¼ following the interim figures.

Australians succumbed to the sharp overnight reaction on Wall Street which, with the easier trend in bullion, prompted widespread losses. Western Mining, which revealed impressive interim figures on Monday, encountered selling and closed 11 off at 274p, while CRA closed 8 lower at 370p. MIM, 216p, and EZ Industries fell 11 and 12 respectively. Among leading Golds, Gold Mines of Kalgoolie shed 10 more to 600p. Central Norseman, which announced reduced first-half profits and lower dividend on Monday, fell 20 to 393p.

Canadian Nickel producer Inco declined 36 to 957p following the fourth-quarter deficit.

Another poor performance by London equities boosted demand for Traded Options and total contracts struck amounted to 4,073—1,956 calls and 2,117 puts, the first time since October 18 of last year that the latter has been in the ascendancy. Grand Metropolitan recorded 51 calls and 241 puts with the April 330 puts 8 better at 22p. Lonrho, annual results due tomorrow, attracted 281 calls and 117 puts, while a lively two-way trade also developed in ICI with 192 calls and 137 puts transacted.

FINANCIAL TIMES STOCK INDICES

	Feb. 7	Feb. 6	Feb. 3	Feb. 2	Feb. 1	Jan. 31	year ago
Government Secs ...	82.56	82.72	83.21	83.06	82.98	83.02	78.09
Fixed Interest	87.22	87.29	87.26	87.17	87.11	87.41	79.96
Industrial Ord..........	799.7	815.5	832.4	824.1	829.2	831.4	649.4
Gold Mines	583.7	579.2	597.7	595.5	570.3	543.8	712.0
Ord. Div. Yield.........	4.51	4.43	4.35	4.39	4.37	4.35	4.74
Earnings, Yld.% (full)	9.51	9.34	9.16	9.26	9.23	9.20	10.15
P/E Ratio (net) (*).....	12.86	13.10	13.35	13.21	13.24	13.28	11.83
Total bargains..........	24,007	25,675	28,008	26,813	27,002	28,302	26,276
Equity turnover £m.	—	269.10	301.16	363.73	348.79	311.60	207.46
Equity bargains	—	23,562	20,995	21,806	22,709	23,669	21,146
Shares traded (ml)....	—	153.0	168.1	166.5	167.6	174.2	152.7

10 am 802.8. 11 am 803.2. Noon 801.7. 1 pm 798 9. 2 pm 798.2. 3 pm 798.4.

Basis 100 Govt. Secs. 8/1/58. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/1/58. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=12.07.

HIGHS AND LOWS

—	1983/84 High	1983/84 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.77 (8/1/84)	77.00 (24/1/83)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int..	87.47 (30/1/84)	79.03 (1/2/83)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord....	840.5 (25/1/84)	598.4 (12/1/83)	840.5 (25/1/84)	49.4 (26/6/40)
Gold Mines	734.7 (15/2/83)	444.6 (1/11/83)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Feb. 6	Feb. 3
—Daily		
Gilt Edged Bargains ...	171.8	168.9
Equities Bargains ...	152.7	136.0
Value ...	543.9	608.8
5-day Average		
Gilt Edged Bargains ...	160.0	158.9
Equities Bargains ...	146.1	162.6
Value ...	644.5	673.3

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Tue Feb 7 1984 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon Feb 6 Index No.	Fri Feb 3 Index No.	Thurs Feb 2 Index No.	Wed Feb 1 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (205)	478.87	−2.0	8.87	3.72	14.60	488.62	497.19	491.83	489.92	438.00
2	Building Materials (25)	468.26	−1.0	10.93	4.56	11.39	472.98	477.08	478.82	477.83	428.49
3	Contracting, Construction (32)	731.73	−1.4	12.95	4.88	9.64	742.41	745.63	742.35	738.65	775.41
4	Electricals (15)	1685.00	−1.5	7.26	4.01	17.52	1711.51	1743.51	1744.22	1771.15	1616.31
5	Electronics (24)	1620.96	−2.2	8.70	2.28	15.08	1656.82	1704.84	1671.49	1651.95	0.00
6	Mechanical Engineering (64)	228.06	−2.6	10.31	4.97	11.99	234.18	237.82	236.43	236.64	207.43
8	Metals and Metal Forming (9)	190.18	−3.2	8.66	6.17	15.06	196.40	198.77	196.65	197.40	169.23
9	Motors (17)	132.94	−2.8	1.42	4.08	—	136.77	136.66	135.37	136.63	86.70
10	Other Industrial Materials (19)	616.03	−1.9	5.09	3.61	26.70	628.09	635.61	626.09	623.85	407.32
21	CONSUMER GROUP (196)	471.20	−1.9	10.30	4.29	11.89	480.56	486.83	483.98	486.93	420.87
22	Brewers and Distillers (23)	451.84	−1.9	12.82	5.32	9.77	460.78	469.22	466.29	471.31	475.75
25	Food Manufacturing (22)	379.52	−1.7	12.66	5.41	9.21	386.21	391.00	391.04	393.99	344.67
26	Food Retailing (12)	1064.17	−2.1	7.81	2.74	16.49	1086.63	1094.88	1086.57	1098.41	855.85
27	Health and Household Products (9)	733.52	−1.9	6.42	3.00	18.30	747.74	756.43	746.29	746.85	720.22
29	Leisure (23)	627.95	−1.8	8.81	4.50	14.62	639.51	647.69	643.52	647.30	581.38
32	Newspapers, Publishing (15)	1200.86	−1.6	7.87	3.99	15.17	1220.28	1217.97	1217.75	1217.29	718.05
33	Packaging and Paper (15)	234.28	−3.0	10.51	4.26	11.76	241.42	244.68	242.30	241.42	162.47
34	Stores (47)	423.16	−1.9	8.12	3.67	16.73	431.99	435.60	433.34	434.56	363.01
35	Textiles (19)	269.96	−3.0	11.26	4.43	10.29	278.37	282.18	281.34	284.78	191.86
36	Tobaccos (3)	533.19	−1.6	18.65	6.00	6.00	542.07	555.72	554.38	560.71	510.23
39	Other Consumer (8)	461.14	−2.0	11.03	5.72	—	470.77	475.08	478.42	482.61	370.72
41	OTHER GROUPS (83)	422.85	−2.3	7.88	4.24	16.05	432.72	438.97	435.10	439.93	314.60
42	Chemicals (16)	596.25	−2.2	7.43	4.28	17.84	609.50	618.57	612.79	625.72	413.94
44	Office Equipment (5)	131.91	−2.5	6.61	5.62	20.88	135.33	134.81	134.88	134.75	100.34
45	Shipping and Transport (14)	836.96	−2.7	7.58	4.85	17.82	860.32	870.04	871.08	870.36	560.30
46	Miscellaneous (48)	550.80	−2.3	8.49	3.91	14.11	563.51	572.91	566.34	569.69	445.05
49	INDUSTRIAL GROUP (494)	471.38	−2.0	9.45	4.10	13.29	481.08	488.16	484.30	486.07	413.26
51	Oils (16)	1009.25	−0.8	11.05	5.86	10.99	1017.10	1051.44	1044.97	1064.85	712.19
59	500 SHARE INDEX	516.45	−1.8	9.72	4.39	12.80	525.98	535.38	531.30	534.62	437.93
61	FINANCIAL GROUP (121)	377.42	−1.7	—	5.19	—	383.81	387.64	385.44	391.20	299.93
62	Banks (6)	389.52	−0.8	22.05	6.58	4.92	392.66	398.81	399.88	414.33	309.81
63	Discount Houses (8)	406.28	−1.4	—	6.94	—	411.96	411.75	410.31	414.82	288.58
65	Insurance (Life) (9)	544.13	−1.5	—	4.14	—	552.69	557.44	544.06	545.36	378.61
66	Insurance (Composite) (9)	254.56	−1.5	—	6.51	—	258.37	259.80	258.29	260.72	201.62
67	Insurance Brokers (6)	646.42	−2.4	10.59	4.45	13.01	662.41	673.12	660.34	664.82	570.17
68	Merchant Banks (12)	236.90	−2.6	—	4.00	—	243.25	244.67	244.15	249.28	170.12
69	Property (53)	526.27	−1.9	5.70	3.78	23.52	536.32	541.11	543.13	543.48	451.81
70	Other Financial (18)	267.03	−3.0	10.40	5.14	11.51	275.21	277.86	276.85	282.12	225.58
71	Investment Trusts (107)	500.00	−2.8	—	3.57	—	510.06	511.34	509.67	510.87	402.40
81	Mining Finance (4)	304.65	−2.5	8.65	4.79	14.19	312.40	321.80	314.08	315.22	276.39
91	Overseas Traders (15)	545.29	−2.1	7.01	6.87	20.34	556.81	563.83	565.01	567.13	442.10
99	ALL-SHARE INDEX (747)	483.75	−1.8	—	4.51	—	492.68	500.48	496.83	500.51	404.85

FIXED INTEREST

PRICE INDICES	Tue Feb 7	Day's change %	Mon Feb 6	xd adj. today	xd adj. 1984 to date
British Government					
1 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Debentures and Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS	Tue Feb 7	Mon Feb 6	Year ago (approx)
British Government			
1 Low 5 years	[illegible]	[illegible]	[illegible]
2 Coupons 15 years	[illegible]	[illegible]	[illegible]
3 25 years	[illegible]	[illegible]	[illegible]
4 Medium 5 years	[illegible]	[illegible]	[illegible]
5 Coupons 15 years	[illegible]	[illegible]	[illegible]
6 25 years	[illegible]	[illegible]	[illegible]
7 High 5 years	[illegible]	[illegible]	[illegible]
8 Coupons 15 years	[illegible]	[illegible]	[illegible]
9 25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables	[illegible]	[illegible]	[illegible]
11 Debs & Loans 5 years	[illegible]	[illegible]	[illegible]
12 15 years	[illegible]	[illegible]	[illegible]
13 25 years	[illegible]	[illegible]	[illegible]
14 Preference	[illegible]	[illegible]	[illegible]

[illegible]

EUROPEAN OPTIONS EXCHANGE

Series	Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 37,127

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1983/84 High	1983/84 Low	Stock	Closing price p	+ or −	Net dividend	Times covered	Gross yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1983/84 High	1983/84 Low	Stock	Closing price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99.16	£25	22/3	27	24¾	Elf (U.K.) 12¼% Uns. Ln. '91	25¾	+⅛
99.714	£30	26/4	33⅛	30	Int. Bk. for Rec. & Dev. 11.5% Ln. 2003	32	[illegible]
100	F.P.	—	100½	99	Kensington & Chelsea 11.16% Red. 2008	100⅛	−⅛
‖	£30	10/11	48	30½	Lon. Shop Prop. 9pc Cnv. 94/99 Ser II.	45	−1
§95.711	£25	15/6	25⅛	24½	MEPC 10¾pc 1st. Mort. Deb. 2024	24¾	......
—	F.P.	—	100⅛	100	Nationwide 10¼% Bds. 28/1/85	100⅛	......
¶ ¶	F.P.	—	30p	28½p	Palma Group 5⅛% Cum. Prf. £1	30p	....
99.44	£25	13/4	27¾	25¼	Queens Moat 12% 1st Mort. Deb. 2015	27	−⅛
100	F.P.	—	99¾	98¼	Rochdale Met. Bor. 11.10% Red. 2006	98½xd	−1⅝
¶ ¶	F.P.	30/3	102½	101¾	Slough Ests. 12⅛% Uns. Ln. 2009	102	+¼
99.393	£30	21/3	32⅛	29¾	Spain 12% Ln. 1988	32	−½

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1983/84 High	1983/84 Low	Stock	Closing price	+ or −
300	Nil	17/2	436	400	Carlton Communications 5p	425	+5
93	F.P.	10/2	152	113	Charterhouse Pet.	139	−8
R28.20	Nil	17/2	408	150	East Dagga Linked Units	365	+5
160	F.P	3/2	208	196	Ellis & Everard	204	...
32	F.P.	24/2	47	35	Herman Smith 10p	45	+2
32	F.P.	6/2	39	34½	Jones (Edward) 10p.	37	−2
30	F.P.	9/3	58	46	Meggitt 5p	45	−5
350	Nil	—	44pm	30pm	Sketchley	30pm	...

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital: cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ■ Allotment letters (or fully-paid). ‖‖ Introduction. ✻ Unlisted Securities Market. § Placing price.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb 6	Feb 17	May 10	May 21
Feb 20	Mar 2	May 31	June 11
Mar 5	Mar 16	June 14	June 25

For rate indications see end of Share information Service

Stocks favoured for the call included UKO, Armour Trust, Atlantic Resources, Armstrong Equipment, Tricentrol, ICL, Saxon Oil, W. E. Norton, GRA, Chamberlain Phipps, A. Caird, James Wilkes, Southern Resources, Premier Oil, Bristol Oil and Minerals, Ramar Textiles, Aran Energy, Hongkong Land, Charterhall, Hogg Robinson, Moben and Hawley. Puts were transacted in Saxon Oil, Lucas and Bowater, while doubles were taken out in Cornell and Amalgamated Estates.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
A. B. Ports	260	−13
Atlantic Resources	512	−48
BOC	278	−22
Bowater	267	− 9
BP	425	—
Burmah	170	− 6
GEC	180	− 4
Grand Metropolitan	322	− 8
ICI	588	+ 4
RMC	416	−13
Royal Bank of Scot	219	+13
Shell Transport	615	−10

NEW HIGHS AND LOWS FOR 1983/84

NEW HIGHS (18)

BANKS (1)
Baltic Leasing
BUILDINGS (1)
Howard Shuttering
ELECTRICALS (1)
Dowding & Mills
ENGINEERING (3)
Linread, Stothert & Pitt, S.K.F. AB
INDUSTRIALS (4)
AGA AB, Hartons, Bogod Pelepah A, Wade Potteries
PROPERTY (1)
Priest Marians
TEXTILES (1)
Foster (John)
TRUSTS (2)
Camelia Invs., London Prudential
OILS (1)
Osprey Petroleum
MINES (3)
Emperor Mines, Tara Exploration, Tongkah H. Tin

NEW LOWS (16)

AMERICANS (1)
Insilco
BREWERS (2)
Forshaws Burtonw'd, Marston Thompson
BUILDINGS (1)
Crouch Group
STORES (1)
De Brett (Andre)
ELECTRICALS (4)
Arlen Elect., Imtec, Immed. Bus. Systs., United Scientific
FOODS (1)
Park Food
INDUSTRIALS (4)
Coin Inds., Johnsen & Jorgensen, Flogas, Mainmet Hldgs.
PAPER (1)
Ferry Pickering
PROPERTY (1)
Lond. & Manch. Sec.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	7	54	42
Corpns. Dom. and Foreign Bonds	16	3	60
Industrials	53	882	477
Financial and Props.	23	342	157
Oils	9	69	43
Plantations	0	4	16
Mines	44	75	52
Others	37	84	49
Totals	189	1,513	896

LONDON TRADED OPTIONS

Option	Calls Apr.	Calls July	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
B.P. (*425)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold (*542)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds (*136)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union (*184)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G.E.C. (*179)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met. (*333)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I. (*588)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Secur. (*254)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Sp. (*219)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans. (*615)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option	Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
Barclays (*502)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imperial Gp. (*151)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option	Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
LASMO (*313)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lonrho (*124)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P. & O. (*264)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal (*190)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R.T.Z. (*644)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs (*$116)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option	Calls Mar.	Calls June	Calls Sep.	Puts Mar.	Puts June	Puts Sep.
Beecham (*308)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bass (*303)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
De Beers (*$609)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Guest Keen (*195)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson (*168)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco (*168)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Feb. 7. Total Contracts. 4,073 Calls 1,956. Puts 2,117. * Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

AMERICANS

1983-84 High	Low	Stock	Price £	+ or −	Div. Gross	C'vr	Y'ld Gr's
35⅛	22¾	Abbott Labs.‖	32¼	+¼	$1.00	—	2.2
34¼	17⅞	Alcoa 1$	27¼xd	−1¼	$1.20	—	3.1
19½	13⅞	Amax $1	17¼xd	+½	20c	—	0.8
18⅝	875p	Amdahl	11⅞	−½	20c	—	1.2
32⅞	20⅛	Amer. Express $0.60	20⅝	−¼	$1.28	—	4.4
24½	14⅝	Amer. Medical Intl.$1.	17⅛	−⅛	48c	—	2.0
34¼	20⅝	Amer. Nat. Res. $1.	32¼xd	−⅛	$3.16	—	6.8
47⅞	36¼	American T. & T. Co.	45⅞	−⅛	s$5.40	—	8.3
21½	14	Amfac Inc	20	−⅛	$1.44	—	5.1
16⅛	12	Bank America Corpn.	15½	−⅛	$1.52	—	6.9
35½	22¾	Bankers N.Y. $10	33⅞	−⅜	$2.25	—	4.7
20⅞	11⅞	♥Beth Steel $8	17⅞	−⅛	60c	—	2.4
31½	21⅛	Brown'g Fer c16⅔	26⅝	−¼	96c	—	2.6
23½	10⅞	Brunswick Corpn.‖	18¼xd	−⅛	60c	—	2.3
29	22¼	C.P.C. 25c	27¼xd	.....	$2.20	—	5.7
44⅞	28⅛	Campbell Soup	43¼	−⅛	$2.30	—	3.8
35¼	24½	Caterpillar‖	32⅞	−½	$1.50	—	3.2
39¼	25	Chase M'hon.$12.5	35⅞	−½	$3.50	—	6.8
36½	26¼	Chemical N.Y. Corpn	34⅛	−⅝	$3.24	—	6.7
29⅛	24⅝	Chesebrough $1	27	.....	$1.84	—	4.8
22¼	11	Chrysler $6¼	20½	−⅛	60c	—	2.0
29½	20¼	Citicorp $4	26⅝xd	−⅛	$1.88	—	5.0
29⅞	17	City Inv. $1.25	24½xd	−⅝	$1.80	—	5.2
16⅞	11⅞	Colgate-P. $1	15¼xd	.....	$1.28	—	5.9
40	19¼	Colt Inds. $1	35⅝	−¼	$2.20	—	4.4
20⅛	12⅞	Cons. Foods $1⅓	19½	−⅛	$1.16	—	6.0
16⅝	12	Cont. Illinois $5	14⅝	.....	$2.00	—	9.7
27	17¼	Crown Zell. $5	22⅝	−½	$1.00	—	3.1
887p	410p	Damson Oil US$0.4	557p	−67	—	—	—
22½	12⅛	Dana Corp. $1	19	−⅛	h74.7c	—	2.8
103p	76p	Derma-Lock Medical	90p	−8	—	—	—

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

CANADIANS

BANKS, H.P. AND LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY—Continued

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS-Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—continued

Australians

[illegible]

Tins

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
170	18	Admiral Mines	22	......	—	—	—
90	34	♥Anglo-Dominion	68	......	—	—	—
93	48	♥Anglo Utd. Dev.	50	......	—	—	—
400	180	♥Centenial Minerals	297	−3	—	—	—
175	60	♥Colby Res Corp.	155	......	—	—	—
850	315	Cons. Murch. 10c.	822	......	100c	ϕ	7.1
£17½	£10⅜	Eastern Trans Cons 50c	£16	−½	Q85c	4.9	2.6
240	170	Hampton Areas 10p	222	−3	3.75	2.1	2.3
215	103	♥Highwood Res.	195	−2	—	—	—
£24½	£17½	Homestake Mining $1	£22¼xd	−¼	Q20c	—	0.7
495	275	Northgate C$1	305	−10	—	—	—
687	437	R.T.Z.	648	−17	t17.0	2.9	3.7
£148½	£108	Do 9¾%CnvUnsLn.95-2000	£142	−4½	Q9½%	32.5	†6.7
190	13	♥Sabina Inds C$1	85	......	—	—	—
£11¾	312	♥Tara Expin $1	£11¾	+½	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Principal and interest tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK Listed; dealings permitted under Rule 163(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Issue price. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or other official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv. 20p	72	......	Fin. 13% 97/02.	£97¼	......
Bdg'wtr. Est. 50p	330	......	Alliance Gas	85	......
Craig & Rose £1	900	......	Arnott	217	......
Finlay Pkg. 5p	46	......	CPI Hldgs.	87	......
Higsons Brew.	88	−2	Carroll Inds.	120	......
Holt (Jos) 25p	890	......	Hall (R. & H.)	65	......
I.O.M. Stm. £1	124xd	......	Heiton Hldgs.	26	......
			Irish Ropes	55	......
IRISH			Jacob (W. & R.)	67	......
Exch. 12% 1985	£99	......	T.M.G.	70	......
Nat 9¾% 84/89	£86⅛	......	Unidare	77	......

For Concrete Prods. see CPI

OPTIONS

3-month Call Rates

Stock	Rate	Stock	Rate	Stock	Rate
Industrials		House of Fraser	21	Vickers	12
Allied Lyons	13	I.C.I.	45	Woolworth Hld.	35
BOC Grp.	20	"Imps"	12		
B.S.R.	18	I.C.L.	6	**Property**	
Babcock	15	Ladbroke	21	Brit. Land	9
Barclays Bank	45	Legal & Gen.	45	Cap. Counties	15
Beecham	28	Lex Service	35	Land Sec.	34
Blue Circle	40	Lloyds Bank	50	MEPC	24
Boots	17	"Lots"	3	Peachey	17
Bowaters	22	London Brick	10	Samuel Props.	12
Brit. Aerospace	19	Lucas Inds.	16	Sterling Guar.	4
B.A.T.	14	"Mams"	12		
Brown (J.)	3	Mrks. & Spncr	20	**Oils**	
Burton Ord.	38	Midland Bank	42	Bristol Oil & Min.	6
Cadburys	11	N.E.I.	10	Brit. Petroleum	35
Courtaulds	11	Nat. West. Bank	55	Burmah Oil	16
Debenhams	14	P & O Dfd.	22	Charterhall	8
Distillers	20	Plessey	20	Premier	5
Dunlop	5	Racal Elect.	18	Shell	50
Eagle Star	60	R.H.M.	7	Tricentrol	20
F.N.F.C.	6½	Rank Org. Ord.	19	Ultramar	60
Gen. Accident	42	Reed Intnl.	34		
Gen. Electric	17	Sears	8	**Mines**	
Glaxo	75	T.I.	14	Charter Cons.	22
Grand Met.	30	Tesco	16	Cons. Gold	50
G.U.S. "A"	55	Thorn EMI	55	Lonrho	8
Guardian	45	Trusthouse	16	Rio T. Zinc	58
G.K.N.	16	Turner & Newall	8		
Hawker Sidd	32	Unilever	75		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 28

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

[illegible]

INSURANCES

[illegible]

Insurances—continued

[illegible]

Commercial Union Group
St Helens, 1 Undershaft, EC3. 01-283 7500

VarAnnAcJn3	—	161 85	.	—
VarAnnFb10	—	35 00		—

Prime Series—Life

[illegible]

Offshore & Overseas—continued

[illegible]

CAL Investments (IoM) Ltd
16 St Georges St Douglas IoM 0624 20251

CAL C&C**	80.9	85.2	.	—
CAL Metals*	92 4	97 3	.	—
CAL Silv**	224.8	237.7	−1.8	—
CAL Gold**	83.4	87 8	−0.1	—
CAL Copper	—	—	.	—
CAL Alum**	87.0	91.6	−0 1	—

* Dealing days every Monday.
** Dealings daily.

[illegible]

Target Trust Mngrs (Jersey) Ltd
PO Box 194. St Helier. Jersey. 0534 72936

Man Cur Fd	99.1	104.5	+0.3	—

Tyndall-Guardian Management Ltd
PO Box 1256. Hamilton, Bermuda.

T-G Amer	$21.18	....	—
T-G Money	$22.22	+0 03	—
T-G Eurobond	$15.83	−0.01	—
T-G Commodity	$20.99	−0.43	—
T-G Mortgage	C$20.64	+0.04	—
T- Overseas	$12.59	+0.07	—
T-G Pacific	Y2.257	+8 0	—
T-G Wall St	$25.28	−0.66	—
T-G Gold	$9.44	+0.33	—

United Fund Managers Ltd
16-18 Queens Road Central, Hong Kong. 5-231417

S&MlvT	$11.44	11.95	....	—
Do Acc	$129.61	130.27	....	5.91

Money Market Trust Funds

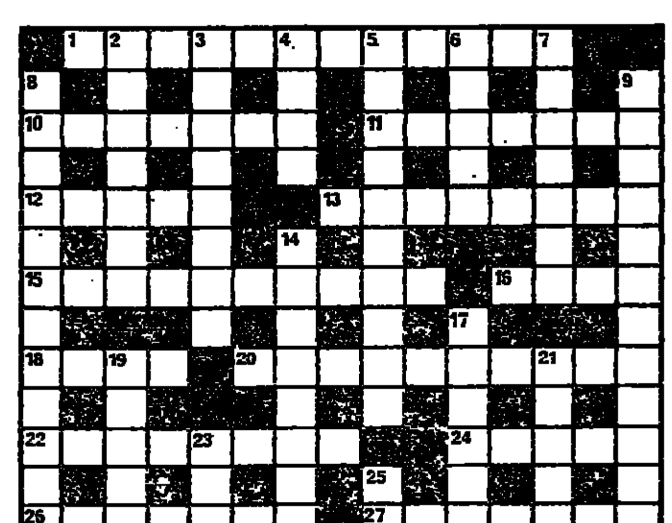
	Nom	APR	Int cr	Notice
Mallinhall Ltd				
36 Berkeley Sq. W1X 5DA.			01-499 6634	
Mal'hallMyFd	8.84	9.18	Qtr	Call
The Money Market Trust				
63 Qn Victoria St EC4N 4T.			01-236 0952	
Call Fund	8.76	8.98	6mth	Call
7-day Fund	8.77	8.99	6mth	7day
Oppenheimer Money Management Ltd				
66 Cannon St. EC4P 4ST.			01-236 0233	
Call Fund	8.71	8.89	6mth	Call
7-day £	8.73	8.90	6mth	7day
High Int DpAcc	8.71	8.89	6mth	1day
Dollar	8.56	8.74	6mth	2day

Money Market Bank Accounts

	Nom	APR	Int cr	Notice
Aitken Hume				
1 Worship St. EC2A 2HQ.			01-638 6070	
TreasuryAcc	8 875	9.175	Qtr	Call
MonthlyAcc*	8 80	9.16	Mth	Call
Bank of Scotland				
38 Threadneedle St. EC2P 2EH.			01-628 8060	
ChequeAcc*	8.80	9.16	Mth	Call
Britannia Gp of Investment Companies				
29 Finsbury Circus, EC2M 5QL.			01-588 2777	
Cater Allen*	8.875	9.245	Mth	Call
Charterhouse Japhet PLC				
1 Paternoster Row, EC4M 7DH.			01-248 3999	
Sterling*	9.00	9 38	Mth	Call
U.S. Dollar	9.50	10 06	Mth	Call
German Marks	5.61	5.85	Mth	Call
Swiss Francs	2 00	2 05	Mth	Call
Choulartons				
30 Ashley Rd. Altrincham, Cheshire WA14 2DW			061-928 9011	
Cheque Acc*	10.03	10.5	Mth	Call
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE.			0803 862271	
MnyMktAcc*	9.0	9.30	Qtr	Call
Lombard North Central PLC				
17 Bruton St. W1A 3DH.			01-409 3434	
Note Dep	9.0	9.2	Rate	14day
M & G Group				
91-99 New London Rd. Chelmsford. CM2 0PY.			0245 51651	
KlwtBsonHICA*	9.1	9.5	Daily	Call
Save & Prosper				
28 Western Road, Romford RM1 3LB.			0708 66966	
Fimg HighInt*	8.62	9.0	Daily	Call
Tyndall & Co				
29/33 Princess Victoria St. Bristol BS8 4BX			0272 732241	
Demand Acc	8.78	9.07	Qtr	Call
Money Acc*	9.00	9.29	Qtr	CHQ'7
J. Henry Schroder Wagg & Co Ltd				
120 Cheapside. London EC2V 6DS.			01-382 6226	
Special Acc*	8.70	9.08	Mth	Call
Over £10,000*	8.95	9.33	Qtr	Call

NOTES—*Cheque book facility available. Interest is calculated on the basis of a nominal rate for a given period, but will not be comparable between funds or accounts if the intervals between interest credits differ. The annual percentage rate (APR) is comparable although it will only represent the amount actually earned in a year if interest rates are unchanged. Notice periods relate to penalty-free minima: in some cases earlier availability may be possible at an interest cost

F.T. CROSSWORD PUZZLE No. 5,337



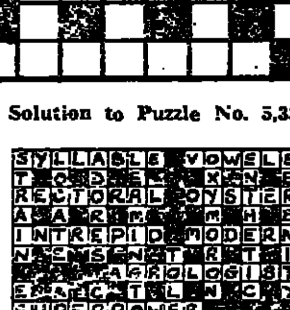
ACROSS

1 An indefinable quality in Paris? (2, 2, 4, 4)
10 Hoe broken in trick. Put back in building (7)
11 Office of ruler to leave country without gravity (7)
12 Being kind. I arranged contribution for the country (5)
13 Mineral possible isn't neat (8)
15 Returning put flags down, made a speech, faded away (10)
16 At this, one's in control (4)
18 Dean — vocalist without extremes (4)
20 Side in stress would be puffing (5, 5)
22 Half of 20 broken in, say. Not dirty? (8)
24 Jock at the races? (5)
26 Gleans a variety of dish (7)
27 Song mostly appearing in a party — "Pear tree?" (7)
28 Batsman's had it when edging past slips (6, 2, 4)

DOWN

2 Animal went out of sight in rough can (7)
3 Coin in English conjunction appearing at school (8)
4 Old element seen in notice (4)
5 Used as linen for sleeper with iron constitution? (5, 5)
6 Marriage. Non-U one, maybe (5)
7 Fancy headless drink taking in wise people (7)
8 Weapon in the news? Commonly! (6, 7)
9 Resolute movement to the end (13)
14 Several days calling spring to mind (6, 4)
17 Patrol is out for beating (5-3)
19 Book production (7)
21 Ancient chief — one in short account (7)
23 Animal behind bars? (5)
25 Turn up heater ring for pudding (4)

Solution to Puzzle No. 5,336



هكذا علمنا الكسل

INSURANCE & OVERSEAS MANAGED FUNDS

Black Horse Life Ass. Co. Ltd.
71, Lombard St., EC3. 01-623 1288

Black Horse Man. Fd.	250.72		...	—
Managed Inv. Fd.	167.73	176.56	...	—
Property Fd.	153.12	161.18	...	—
Fixed Interest Fd.	148.82	156.65	...	—
Cash Fd.	137.97	145.74	...	—
Income Fd.	196.85	207.19	...	—
Extra Income Fd.	188.24	198.15	...	—
Worldwide Growth Fd.	236.57	249.03	...	—
Balanced Fd.	195.32	205.60	...	—
Smlr Co's & Recy. Fd.	222.01	233.70	...	—
Intl. Technology Fd.	270.21	284.44	...	—
Nth. Amer. & Gen. Fd.	160.43	168.88	...	—
Energy Int. Fd.	111.99	117.79	...	—
Pacific Basin Fund	160.26	168.70	...	—

British National Life Assurance Co. Ltd.
Heritage Rd, Haywards Heath. 0444 414111

Managed	118.4	124.6	...	—
Property	119.0	125.2	...	—
Equity	126.7	133.4	...	—
International	134.6	141.7	...	—
Fixed Interest	104.2	109.6	...	—
Deposit	100.9	106.2	...	—
Managed Pen. Cap.	118.9	125.1	...	—
Property Pens. Cap.	119.9	126.2	...	—
Equity Pens. Cap.	122.0	128.4	...	—
Intnl. Pens. Cap.	140.7	148.1	...	—
Fixed Int. Pens. Cap.	100.5	105.8	...	—
Deposit Pens. Cap.	98.1	103.3	...	—

Cannon Life Group
2-6, High St., Potters Bar, Herts. P. Bar 51122

Equity Gth Jan 31		107.1	...	—
Pens. Fed. Jan. 6		280.1	...	—
Managed Pen Fund	191.5	201.6	...	—
Property Pen Fund	117.4	123.6	...	—
Index Lnkd Pen Fund	112.4	118.3	...	—
Managed	127.1	133.8	-1.4	—
Property	106.3	111.9	...	—
Gilt and Fixed Interest	108.3	114.1	...	—

G.T. Management Ltd.
16 Finsbury Circus, Lond. EC2M 7DJ. 01-628 8131

G.T. Plan Bond Fund	126.1	132.8	-0.2	—
GT Pln High Yld Fnd	130.2	137.1	-2.6	—
GT Plan Far East Fnd	131.5	138.5	-1.8	—
GT Plan N. Am Fd.	129.6	136.5	-3.4	—
GT Pln UK&G.E. Fnd	148.2	156.0	-3.8	—
GT Pln Wrldwde Fnd.	150.9	158.9	-2.9	—
GT Pension Bnd Fnd.	138.4	145.7	-0.3	—
GT Pen High Yld Fd.	149.4	157.3	-2.9	—
GT Pen Far East Fd.	162.8	171.4	-2.5	—
GT Pen N. Am. Fd.	184.0	193.7	-6.8	—
GT Pen UK & G.E. Fd.	171.4	180.5	-4.5	—
GT Pen Worldwide Fd.	162.6	171.2	-3.5	—

Prices for Accum. Units only.

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY. 01-488 0733

Intl. Managed Bond	172.0	181.1	...	—

General Portfolio Life Ins. C. Ltd.
Crossbrook St., Cheshunt, Herts Waltham X 31971

Portfolio Fd. Acc.		269.9	...	—
Portfolio Fd. Init.		215.3	...	—

See adjacent page Mon-Fri. and Stock Exchange Dealings page Sat

Gresham Unit Ass. Ltd.
2-6, Prince of Wales Rd. B'mouth. 0202 767655

Managed Fd.	284.6	299.9	...	—
Money Fd.	157.3	165.5	...	—
Equity Fd.	241.9	254.9	...	—
Fixed Int. Fd.	118.8	125.2	...	—
Property Fd.	175.4	184.8	...	—
Managed Pen. Fd.	272.0	286.6	-4.4	—
Equity Pension Fd.	182.1	191.9	-4.3	—
Fixed Int. Pen. Fd.	167.3	176.3	-0.8	—
High Yield Pen. Fd.	165.1	174.0	-0.8	—
Money Pension Fd.	121.0	127.9	+0.2	—
Property Pension Fd.	129.3	136.2		—

Gresham/Framlington
American & Gen. Fd. 237.6 250.2 -3.1 —

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

WestAven Secs (Guernsey) Ltd
PO Box 304, St Peter Port, Guernsey 0481 27963

Gilt & Option Fd.	£1.18	1.23xd	...	2.50
US $ Option	$1.05	1.10	...	—

World Wide Growth Management♦
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$12.69	-0.24	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Wren Commodity Management Ltd.
10, St. George's St., Douglas IoM 0624 25015

Wren Com. Fund	24.0	25.0	...	—
Chinese Fund	62.8	65.3	...	—
Precious Metal Fund	126.5	131.7	...	—
Vanguard Cmdy. Fd.	34.6	35.5	...	—
Financial Futures Fd.	61.2	63.7	...	—
Wren Intl Fnd.*	$0.623	0.638	...	—

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. Z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rate of NAV increase.

COMMODITIES AND AGRICULTURE

Sugar futures fall to 9-month lows

BY RICHARD MOONEY

WORLD SUGAR prices on the London futures market fell to nine-month lows yesterday as speculation about fresh Soviet buying interest continued to fade and F. O. Licht, the West German statistical organisation, raised its end-of-season stocks estimate.

The May quotation ended the day £3.50 down at £134.75 a tonne.

Recent market talk that the Soviet Union was seeking up to 600,000 tonnes of 1984 delivery sugar had tended to buoy up prices. But by yesterday most traders had decided that the sugar was probably linked to a proposed barter deal with France for natural gas and did not represent new business.

Some said they doubted whether the Soviet Union needed to secure extra sugar this season and thought it would only come back to the market if it was tempted by cheap prices.

Meanwhile F. O. Licht produced its latest estimate of the 1983-84 sugar balance and, perhaps more significantly, a bearish supply projection for 1984-85.

It put 1983-84 production at 95.86m tonnes, up from 95.68m in its previous estimate, and cut the consumption estimate to 95.61m tonnes from 95.63m.

It expected end-of-season stocks to reach 37.87m tonnes, equivalent to around 40 per cent of consumption.

With crops in many countries recovering from this season's weather-reduced levels, a surplus of supply over demand in 1984-85 is "a definite possibility, although not inevitable" in 1984-85, Licht says in a commentary accompanying the report.

● Flooding in Natal Province caused by cyclone Domoina destroyed about 700,000 tonnes of sugar cane, the equivalent of some 70,000 tonnes of sugar, the South African Sugar Association said in Durban yesterday. Reuter reports.

The association was expecting a crop of about 2m tonnes in the coming 1984-85 season against a 1983-84 crop of 1.39m tonnes and a record 2.16m tonnes in 1982-83.

Price of English farmland falls

ENGLISH farmland prices fell in the final quarter of 1983 after moving upwards for most of the year, provisional figures published yesterday by the Ministry of Agriculture show.

For vacant possession land the weighted price, which allows for area and size group variations in the sample, was calculated at £4,711 a hectare for the three months ended December, down from a record £4,768 for the three months ended November.

● SOVIET Government's failure to report the sunflower crop estimate in its 1983 economic report is probably a sign that the 1983 sunflower seed crop was below expectations, Oil World, the Hamburg-based newsletter, said.

● ARGENTINA'S 1984 oilseed production may reach a record 8.7m tonnes, an increase of 20 per cent on last year's 7.2m tonnes, Oil World said. It estimated Argentina's soyabean crop at 4.8m tonnes but noted that other sources put it as high as 5m tonnes.

● INDIA'S podgrains stocks on government account totalled 15.39m tonnes on January 1, up from 12.67m on the same date last year, the Food and Civil Supplies Minister, Mr Bhagwat Jha Azad, said in New Delhi.

● GHANA Cocoa Marketing Board bought 11,392 tonnes of cocoa in the 10th week of the 1983-84 main crop season ended January 27. This took cumulative purchases for the season to 123,846 tonnes against 135,714 tonnes at the same time last year.

● BOLIVIAN Mining Corporation (Comibol) said it planned to increase its tin output to 19,000 tonnes this year from 16,020 in 1983 and 15,484 the previous year. Production of silver is expected to remain unchanged this year at 147 tonnes compared with 131 tonnes in 1982.

Why the commodity market jungle must be tamed

John Edwards on the Gower report's implications for futures traders

A SMALL footnote in Prof Jim Gower's recent report on investor protection had a nasty sting in the tail for the London commodity markets. It noted that at the time the report was being compiled over 50 commodity firms were under official investigations of one kind or another, thus apparently confirming the general impression that the commodity markets are a hotbed of swindlers.

Certainly a series of scandals in recent years has helped give commodity trading a poor reputation with investors. Prof Gower quoted the judge at the Old Bailey last year who described the world of commodity dealing as "a jungle suitable for hunting for large and experienced animals but one in which the small animal is at very serious risk."

Even so, 50 firms under investigation in Britain alone seems absurdly large, for the London Commodity Exchange's total membership is only some 150 firms and most are eminently respectable.

In fact the figure of 50 firms, while correct, is also misleading. Virtually all the firms under investigation are understood to be small "bucket Shop" foreign organisations, mainly from West Germany, who have set up in London to take advantage of the expansion in commodity speculation by private individuals and companies over the past decade.

The commodity markets, because of their international nature, are specially favoured by investors wishing to dispose of "hot" money. West Germany also provides tax incentives on overseas investments.

At the same time many continental companies apparently feel they gain prestige and authority by being able to claim they are close to the London markets, which set the international prices for many commodities.

In other words many small "bucket shop" operations, run by one or two unscrupulous individuals and often disguised under a respectable "English" name, use London firms to gull primarily continental investors who are eager to get into commodity futures trading. They are not members of the commodity exchanges and are not subject to any rules or regulations.

Prof Gower's main worry about the futures markets is that anyone can set up a brokerage business with no qualifications or check on their credentials. In other words it

The obvious answer is to have some form of registration to prevent undesirable individuals or companies setting up as futures traders.

That was the basic purpose of legislation pushed through parliament last April, which exempts futures traders from those provisions of the Banking Act which regulate deposit-taking provided they are members of recognised futures exchanges. Otherwise they face prosecution under the Banking Act.

However this mechanism is not as effective as it sounds. Prosecutions against illegal deposit-taking contravening the Banking Act still need the backing of the courts, and there are apparently many loopholes.

After the first Gower report, and stimulated by unfavourable press comments about the activities of various futures traders, a joint exchange committee consisting of representatives from all the London futures markets was formed. After a long debate, this committee recommended the formation of an umbrella association aimed at establishing a code of conduct, and a compensation fund, specifically to protect the small investor.

The idea is that anyone who is not a member of the new association will not be permitted to set up as a recognised futures trader. It is hoped that new legislation will provide the necessary powers to make membership of the association compulsory.

But there are problems. For example, there are disagreements amongst the member exchanges of the association's formation committee. The London Metal Exchange has already expressed is dissatisfaction by deciding to go it alone on forming its own compensation fund. This is not proving particularly easy, or popular with its members, many of whom are also members of other exchanges and do not relish the prospect of having to finance two separate schemes with a common purpose.

At the same time there is considerable difficulty in reconciling the differences between the various exchanges over a range of subjects, including their requirements for membership.

It therefore looks as though it may be a long time before the proposed association becomes operational even though full-time staff have now been appointed to push things ahead.

The more progress made, the greater the difficulties encountered, according to market sources. Each exchange has its own particular established methods and traditions of dealings, so a common practice to cover everything is extremely complicated and often requires an unsatisfactory compromise.

For example the maximum compensation amount has been proposed at the laughably small figure of £7,500 on the grounds that the association is only designed to protect small investors.

It will be surprising too if the association can find a suitable code of conduct to deal with the perils facing investors in even so-called respectable companies, such as aggressive selling, over-trading, excessive commissions and misporting of actual trades.

Prof. Gower in his latest report referred to the "remarkable progress" being made in establishing the proposed association and endorsed the general principle that self-regulation was the best method of improving the protection for investors.

This was greatly welcomed by the commodity exchanges, which are strongly opposed to interference in the markets by any state organisation, such as the U.S. Commodity Futures Trading Commission.

It seems likely that the Government will support the idea of self-regulation in principle. But the futures markets will have to work hard to prove they can put their own house in order if they are to redeem their reputation and keep London as one of the international trading centres.

Index for precious metals

FRANKFURT — Degussa, the West German precious metals and chemicals company, has launched what it believes to be the world's first precious metals index.

The monthly index is derived from London average gold and silver fixings and official London open market quotes for platinum and palladium. January 1977 has been chosen as the base year (1977=100) for all four metals as well as the composite precious metals

For December 1983, the latest indexed month, the Degussa precious metals index was given as 276.38. Individual indices were 293.44 for gold, 208.50 for silver, 255.48 for platinum and 299.94 for palladium.

Degussa said: "There is to our knowledge no other index based solely on precious metals notations. Its introduction seems appropriate because we keep getting questions on how the four metals are related to each other in price."

The company said 1977 was chosen as base year because it was the first full year in which official London open market quotations for platinum and palladium were published.
AP

U.S. grain surplus till 1990 predicted

CHICAGO—U.S. grains will be in surplus until the end of the decade, assuming no major world crop failures, according to a U.S. Department of Agriculture economist.

Mr John Lee, administrator of the USDA's economic research service, told the Chicago Farmers Club that prospects for the 1980s for the U.S. farm sector did not look good.

"With large world grain stocks, a slack world economy and a strong dollar, the world market-place for grain can best be described as fiercely competitive," Mr Lee said.

U.S. grain price supports were too high to allow U.S. grain to compete. "Current U.S. farm policy taxes grain exports in times of shortage and sudsidises them during periods of over-production," he said.

Ever-increasing target prices were a signal to U.S. farmers to produce more even when slack export demand was telling them to produce less.

Mr Lee thought it would be very difficult politically to cut price supports either in the U.S. or in Europe.

Farm interests had a disproportionate amount of representation in the agriculture committees in Congress, where agriculture policy was formulated.

A majority in Congress generally approved farm Bills as prepared by the agriculture committees, since there was little political pressure from consumers to control agriculture spending, Mr Lee said.
Reuter

Creamery expansion plan

BY ROBIN REEVES, WELSH CORRESPONDENT

THE Milk Marketing Board's Dairy Crest subsidiary is to make a multi million pound investment in its Maelor creamery, near Wrexham, Clwyd, to instal new butter-making and specialised spray-drying facilities.

The project, which is due to be completed by the middle of next year, will enable Dairy Crest to offer food processors and the catering trade a range of specialist milk powder mixes.

Powder equipment has not until now had the flexibility to meet small orders for milk powder mixes of varying specification.

The value of the investment and size of the new capacity are being kept secret for commercial reasons. But the project is being backed by a £250,000 selective grant from the Welsh Office's industry department as well as regional development assistance. It is expected to create 50 jobs over five years.

PRICE CHANGES

In tonnes unless stated otherwise	Feb. 7 1984	+ or —	Month ago
Metals			
Aluminium	£1100	....	£1100
Free Mkt	$1540/570	....	$1570/590
Copper			
Cash h Grade	£986.5	—1	£979.5
3 mths	£1008.5	—1.75	£1004.25
Cash Cathode	£975	+1	£965
3 mths	£995.25	—1.25	£988.5
Gold troy oz.	$381.25	—0.25	$370.875
Lead Cash	£277.25	+1	£288.75
3 mths	£287.125	+1.375	£298.25
Nickel	£4945	....	£4813
Free Mkt	205/225c	....	208/228c
Palladium oz.	$156.50	—1.5	$148.25
Platinum oz.	£273.25	+0.95	£262.30
Quicksilver†	$295/305	....	$305 315
Silver troy oz.	610.70p	—3.60	578.80p
3 mths	624.25p	—4.15	589.80p
Tin cash	£8620	+47.5	£8562.5
3 months	£8766.5	+55	£8637.5
Tungsten	$77.08	....	$73.45
Wolfram 22.04lb	$74/78	....	$72/76
Zinc	£708.5	+10	£672
3mths.	£705.25	+9	£672.75
Producers	$1,050	....	$950

	Feb. 7 1984	+ or —	Month ago
Oils			
Coconut (Phil)	$1175v	—5	$1070
Groundnut	$1040v	....	‡
Linseed Crude	£428	....	‡
Palm Malayan	$810x	....	$830
Seeds			
Copra Phil	$805v	+25	$715
Soyabean (U.S.)	$296.4	—3.1	$311
Grains			
Barley Fut. May	£119.85	+0.35	£125.00
Maize	£147.50	....	£148.00
Wheat Fut. May	£121.95	+0.30	£120.65
No 2 Hard Wint	‡	....	‡
Other commodities			
Cocoa ship't*	£1900	—5	£1927
Futures May	£1826.5	—2	£1855.5
Coffee Ft. May	£1922.5	—6.5	£1986
Cotton A Index	87.80c	+0.2	86.75c
Gas Oil Mar	$244.25	—3	$246.5
Rubber (kilo)	87.5p	—0.5	85.5p
Sugar (raw)	£124.5v	—4	£123
Woolt'ps 64s	472p kilo	+2	442pkilo

‡ Unquoted. u April. z March. x May. v Feb-March. y Jan-Feb. † Per 75 lb flask. * Ghana cocoa. n Nominal. c Cent per pound.

LONDON OIL

Gas oil attracted moderate interest during the morning. Prices were weaker initially but rallied towards midday. Weakness in New York and selling in both markets caused prices to fall quickly and in active conditions, reflecting renewed vitality in the physical market, the market closed with the nearbys under pressure, reports Premier Man.

CRUDE OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per brl		
Feb.	—	—	—
Mar	29.67	—0.15	—
Apr.	29.45	—0.02	29.45-29.40
May	29.25	—0.10	29.35-29.25
June	29.16	—0.06	—
July	29.12	—0.10	—
Aug	29.10	—0.12	—

Turnover: 20 (128) lots of 1,000 barrels.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	28.50-28.65	—0.03
Iranian Light	27.70-27.85	—
Arab Heavy	26.35-26.45	—0.07
North Sea (Forties)	29.70-29.75	—0.018
North Sea (Brent)	29.85-30.00	—0.08
African Bonny L'ht	29.75-30.20	+0.33
PRODUCTS—North West Europe ($ per tonne)		
Premium gasoline	268-271	—
Gas Oil	254-260	—0.5
Heavy fuel oil	175-179	

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Feb.	248.25	—4.25	251.00-248.2
Mar.	244.25	—3.00	246.50-244.0
April	239.50	—2.00	240.75-239.0
May	235.50	—1.75	236.75-235.0
June	235.25	—1.25	235.75-234.5
July	235.60	—1.50	236.50-235.5
Aug	237.00	—2.00	237.00
Sept	240.00	—1.00	—
Oct.	242.50	—0.75	—

Turnover: 2,818 (1,125) lots of 100 tonnes.

GOLD MARKETS

Gold fell $½ to $381-381½ on the London bullion market, but finished only slightly below the highest level of the day. It opened at $379-379½, and fell to a low of $378½-379. The metal was fixed at $379½ in the morning and $370¾ in the afternoon, and touched a peak of $381½-382.

In Paris the 12½ kilo gold bar was fixed at FFr 103,600 per kilo ($379.16 per ounce) in the afternoon, compared with FFr 103,300 ($379.15) in the morning, and FFr 103,500 ($381.08) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 33,790 per kilo ($380.02 per ounce), against DM 33,745 ($381.98), and closed at $379½-380, compared with $380½-381.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $379.25 per ounce, against $381.

In Zurich gold finished at $379¾-380¼, compared with $381-381½.

LONDON FUTURES

Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
Feb.	380.00-81.00	—1.05	—
April	386.20-86.50	—0.95	386.50-85.50
June	392.20-92.80	—1.00	—
Aug	398.70-99.00	—1.55	—
Oct.	405.50-06.00	—1.10	—
Dec	412.50-15.00	—1.00	—

Turnover: 387 (354) lots of 100 troy ounces.

Gold Bullion (fine ounce)	Feb. 7		Feb. 6	
Close	$381-381½	(£270-270½)	$381¼-381¾	(£267-267½)
Opening	$379-379½	(£267¾-268¼)	$381-381½	(£267-267½)
Morning fixing	$378.25	(£268.116)	$380.40	(£266.704)
Afternoon fixing	$379.75	(£268.469)	$380.60	(£267.604)

Gold and Platinum Coins Feb. 7					
Krugrnd	$392¾-393¼	(£278½-279)	King Sov	$91-92½	(£64½-65¼)
½ Krug.	$202½-203¼	(£143¾-144¼)	Victoria Sov	$91-92½	(£64½-65¼)
¼ Krug.	$103¼-104	(£73¼-73¾)	French 20s	$74¾-76½	(£53-54¼)
1/10 Krug.	$42¼-43	(£30-30½)	50 Pesos Mex	$469-471	(£332¾-334¼)
Mapleleaf	$392½-393¼	(£278½-279)	100 Cor Aust	$370-374	(£262½-265½)
New Sov	$89½-90¼	(£63½-64)	$20 Eagles	$540-550	(£383-390¼)
½ New Sov.	$53¾-54½	(£38¼-38¾)	Noble (Plat.)	$396-399¼	(£280-283¼)

EUROPEAN MARKETS

ROTTERDAM, Feb 7

Wheat — (U.S. $ per tonne): U.S. Two Red Winter March 153, April 153.50, May 154, June 15-July 15 147; U.S. Two Northern Spring 14 per cent protein Feb 190, March 191, April-May 174.50, May 175, June 175, July 174, Aug 170, Sept 166; U.S. Three Amber Durum Feb 206, March 208, April-May 190, June 190, July 189, Aug 186, Sept 181, Oct 183, Nov 185; Canadian Western Spring April-May 205, June 204, Nov 200.

PARIS, Feb 7

Cocoa—(FFr per 100 kg): March 2212-2225, May 2240-2250, July 2230 bid, Sept 2230-2250, Dec 2160-2200, March 2170-2210, May 2170-2210.

BRITISH COMMODITY PRICES

BASE METALS

BASE-METAL PRICES rose on the London Metal Exchange, mainly reflecting currency influences. Zinc reacted to rumoured stop-loss selling and dipped to £693, but bounced in later trading to close at £707.5. Copper, down to £1,002 at one stage, recovered to finish at £1,012.5, with Aluminium at £1,102. Tin gained ground and rose to £8,770 before a close of £8,765, while Nickel advanced to £3,385. Lead firmed to £289, early stop-loss selling being easily absorbed by trade sources.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	984.5-5.5	+.25	986-7	—1
3 months	1005.5-6	—2	1008-9	—1.75
Settlem't	985.5	+.5	—	—
Cathodes				
Cash	971-2	......	974-5	+1
3 months	992-.5	—2.25	995-.5	—1.25
Settlem't	972	......	—	......

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £984.50, 85, three months £1,004, 4.50, 5, 5.50, 6, 5. Cathodes: Three months £991, 92. Kerb: Higher Grade: Three months £1,006, 6.50, 7. Afternoon: Higher Grade: Three months £1,010, 9.50, 9. Kerb: Higher Grade: Three months £1,010, 10.50, 11, 12, 12.50, 13. Turnover: 27,500 tonnes. U.S. Producers: 67-71 cents a pound.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	8670-5	—5	8690-700	+47.5
3 months	8795-6	+23	8805-10	+58
Settlem't	8675	—5	—	......
Standard				
Cash	8605-15	+55	8615-25	+47.5
3 months	8750-1	—20.5	8765-6	+55
Settlem't	8615	+55	—	......
Straits E.	$29.15	—	—	......

Tin — Morning: Standard: Three months £8,750, 60, 55, 50, 51. High Grade: Cash £8,680, three months £8,800, 8,790, 86, 85. Kerb: Standard: Three months £8,750, 45. Afternoon: Standard: Three months £8,745, 50, 55, 60, 65, 70, 66. High Grade: Three months £8,790, 95, 8,800, 8,805. Kerb: Standard: Three months £8,765, 60. Turnover: 1,950 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	277-8	—.25	277-.5	+1

ZINC

ALUMINIUM

NICKEL

Nickel — Morning: Three months £3,370, 60, 55, 50, 45. Kerb: Three months £3,360, 50. Afternoon: Three months £3,350, 60, 65. Kerb: Three months £3,390, 85, 90. Turnover: 3,930 tonnes.

* Cents per pound. ‡ MS per kilo. † On the previous unofficial close.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse 2,525-2,595.

BISMUTH: European free market, min 99.99 per cent, $ per pound, tonne lots in warehouse 1.67-1.77.

CADMIUM: European free market, min 99.95 per cent, $ per pound, in warehouse, ingots 0.91-0.95, sticks 0.92-0.96.

COBALT: European free market, 99.5 per cent, $ per pound, in warehouse 6.90-7.00.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse 294-305.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per pound Mo, in warehouse 3.65-3.72.

SELENIUM: European free market, min 99.5 per cent, $ per pound, in warehouse 4.10-4.90.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif 74-78.

VANADIUM: European free market, min 98 per cent V_2O_5, other sources $ per pound V_2O_5, cif 2.20-2.30.

Producer list price for selected metals as recorded in Metal Bulletin.

ALUMINIUM: World: virgin ingots Alcan, min 99.5 per cent, $ per tonne, cif Hong Kong and Rotterdam 1,760.

BISMUTH: UK: MCP-Peko, 99.99 per cent, $ per pound, tonne lots, ex-warehouse 2.30.

COBALT: World, Zaire: Sozacom, $ per pound 12.50.

NICKEL: World, Inco, melting grade, $ per pound, cif Far East and America, delivered rest of world 3.20.

URANIUM: Nuexco exchange value, $ per pound U_3O_8 22.00.

VANADIUM: Highveld fused min 98 per cent V_2O_5, $ per pound V_2O_5, cif 2.30.

ZINC: GOB producer basis, $ per tonne 10.50.

SILVER

Silver was fixed 3.6p an ounce lower for spot delivery in the London bullion market yesterday at 610.7p. U.S. cent

COCOA

COFFEE

COFFEE	Yest'day's Close	+ or —	Business Done
March	2064-65	—35.0	2119-61
May	1921-24	—6.5	1950-20
July	1847-48	—7.5	1870-41
Sept	1817-18	—7.0	1837-15
Nov.	1792-95	—9.0	1811-95
January	1760-66	—8.0	1781-65
March	1740-46	—6.0	1746-45

Sales: 5,828 (2,813) lots of 5 tonnes. ICO Indicator prices (U.S. cents per pound) for Feb 6: Comp. daily 1979 140.32 (140.52); 15-day average 139.93 (139.77).

GRAINS

Old crops were up to 50p steadier on profit-taking and higher physical market levels. Trade was thin, with shipper to shipper trade in barely. New crops were higher on profit-taking, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yest'rd'ys close	+ or —
Mar.	120.25	+0.25	118.25	+0.30
May	121.95	+0.30	119.85	+0.35
July	123.00	+0.45	—	
Sept.	108.80	+0.55	106.35	+0.30
Nov.	111.50	+0.40	109.20	+0.15
Jan.	114.60	+0.35	112.00	—

Business done—Wheat: March 120.40-20.20, May 122.15-1.90, July 123.00-2.75, Sept 108.65-8.40, Nov 111.40-1.25, Jan untraded. Sales: 163 lots of 100 tonnes. Barley: March 118.40-8.20, May 119.90-9.75, Sept 106.10 only, Nov 109.10 only, Jan 112.00. Sales: 163 lots of 100 tonnes.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 117.30, N. West 117.10. The UK monetary coefficient for the week beginning Monday, February 13 (based on HGCA calculations using five days' exchange rates) is expected to remain unchanged.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1 14 per cent, Feb 144.75, March 145.50, April/May 134.75 transhipment East Coast sellers. English feed fob, April/June 125 East Coast seller. Maize: French, 2nd half Feb 147.50, 1st half March 148.15, 2nd half March 148.90 East Coast sellers. Barley: English feed fob, Feb 122 East Coast sellers. Rest unquoted.

POTATOES

Prices declined further to close near the lows, with Dutch futures following the downward trend on the day, reports Coley and Harper.

RUBBER

SOYABEAN MEAL

SUGAR

... for Feb-March shipment. White sugar $198.50, down $7.00.

New contract lows were registered. The market lost as much as $6.00 on disappointed long liquidation against the stronger dollar, reports C. Czarnikow.

No. 4 Contract	Yestday's close	Previous close	Business done
	£ per tonne		
Mar	129.75-29.90	132.85-33.00	133.00-29.25
May	134.75	138.25	138.50
No. 6 Contract	**$ per tonne**		
Mar	184.00-84.60	190.00-90.60	190.00-83.40
May	191.00-91.20	197.20-97.80	197.60-90.20
Aug.	199.60	206.20-06.40	206.20-99.20
Oct	207.20	213.60-14.40	212.80-07.20
Dec.	215.60-14.00	219.50-21.40	214.00
Mar.	229.00-30.00	236.00-37.00	236.00-33.00
May	237.00-38.00	243.00-45.00	—

Sales No. 4 2,492 (1,346); No. 6 1,245 (675) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £231.25 (£235.50) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for Feb 6: Daily price 6.98 (7.14); 15-day average 7.03 (same).

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. March 433, 438, 438-437; May 454, 457, 455; Aug 481, 484, 479; Oct 480, 485, nil; Dec 482, 486, nil; Jan 483, 487, 484-479; March 490, 496, nil; May 493, 500, 494-491; Aug 500, 508, 503-499. Sales: 19.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. March 575.0, 576.0, 579.0-576.0; May 589.0, 592.0, untraded; July 603.0, 603.0, 606.0-602.0; Oct. 583.0, 583.5, 583.0; Dec. 591.0, 592.0, 592.5-592.0; March 604.0, 608.0, 608.0; May 610.0, 620.0 untraded; July 628.0, 633.0, 630.0. Sales: 82.

HIDES

HIDES — Birmingham (Manchester). Second clears. Ox: 31-35.5kg, 103.7pakg (101.9); 26-30.5kg, 115.3pakg (112.9p); 22-25.5kg, 126.0pakg (125.0p). Cows: 25.5kg, 125.1pakg (12?.0p).

INDICES

FINANCIAL TIMES

REUTERS

MOODY'S

DOW JONES

MEAT/FISH

AMERICAN MARKETS

NEY YORK, February 7

Heating oil prices traded sharply lower in anticipation of a bearish industry stock report, reports Heinold Commodities. The market appeared to have found support at the low levels on forecasts of continued below normal temperatures in the North-east. Copper prices sold off sharply on arbitrage selling and on a lagging demand. Aluminium prices were sharply higher in a dull trade mostly on a lack of selling. Sugar prices sold off sharply as the market failed to respond to Soviet purchases, the subsequent liquidation was intensified by active arbitraging. Cocoa prices were lower on reports of rains in the Bahia area as well as on limited arbitrage. Rumours of an impending increase in the export quotas put enormous downside pressure on the coffee market. Cotton prices were steady on persistent rumours of further Soviet buying.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb	Close	High	Low	Prev
March	73.45	73.55	73.10	73.45
April	73.90	—	—	73.90
May	74.35	74.30	74.05	74.35
July	75.45	75.50	75.50	75.45
Sept	76.55	76.60	76.60	76.55
Dec	78.20	—	—	78.20
Jan	78.75	—	—	78.75
March	79.85	—	—	79.85
May	80.95	—	—	80.95
July	82.05	—	—	82.05

COCOA 10 tonnes, $/tonnes	Latest	High	Low	Prev
March	2485	2514	2482	2527
May	2435	2460	2435	2468
July	2410	2428	2402	2438
Sept	2390	2391	2375	2405
Dec	2360	2370	2360	2376
March	2365	—	—	2366
May	2370	—	—	2361

COFFEE "C" 37,000 lb, cents/lb	Close	High	Low	Prev
March	139.91	43.00	39.80	42.77
May	133.85	36.20	33.76	36.08
July	130.79	32.50	30.60	32.27
Sept	128.89	30.35	28.75	30.08
Dec	126.25	28.25	27.00	28.25
March	124.70	26.01	24.70	26.25
May	122.70	24.01	22.70	24.06

COPPER 25,000 lb, cents/lb

COTTON 50,000 lb, cents/lb

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

GOLD 100 troy oz, $/troy oz

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

ORANGE JUICE 15,000 lb, cents/lb

PLATINUM 50 troy oz, $/troy oz

SILVER 5,000 troy oz, cents/troy oz	Close	High	Low	Prev
Feb	879.5	880.0	875.0	876.4
March	884.0	888.0	871.0	881.0
April	891.0	—	—	888.0
May	899.0	903.0	885.0	895.9
July	914.1	918.0	—	910.9
Sept	929.5	934.0	916.0	926.2
Dec	953.2	956.0	942.0	949.9
Jan	961.4	—	—	958.1
March	977.8	980.0	967.0	974.5
May	995.1	—	—	991.9

SUGAR WORLD "11" 112,000 lb, cents/lb	Close	High	Low	Prev
March	7.05	7.23	7.04	7.35
May	7.34	7.50	7.33	7.64
July	7.64	7.80	7.63	7.97
Sept	7.90	8.04	7.91	8.22
Oct	8.10	8.22	8.09	8.39
Jan	8.65	8.85	8.72	8.97
March	9.05	9.17	9.04	9.29
May	9.33	9.40	9.40	9.57
July	9.51	—	—	9.75

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb	Close	High	Low	Prev
Feb	68.32	68.55	67.95	69.00
April	67.60	67.70	66.77	66.70
June	66.85	67.00	66.40	66.17

LIVE HOGS 30,000 lb, cents/lb

MAIZE 5,000 bu min, cents/56-lb bushel

PORK BELLIES 38,000 lb, cents/lb

SOYABEANS 5,000 bu min, cents/60-lb bushel

SOYABEAN MEAL 100 tons, $/ton

SOYABEAN OIL 60,000 lb, cents/lb

WHEAT 5,000 bu min, cents/60lb-bushel

SPOT PRICES — Chicago loose lard 27.00 (same) cents per pound. New York tin 568.0-72.0 (569.0-74.0) cents per pound.

CURRENCIES MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm on deficit fears

The dollar improved quite sharply in currency markets yesterday in nervous trading. Renewed demand for the U.S. unit was prompted by comments made by Mr Paul Volcker, chairman of the Federal Reserve Board. He warned that the U.S. could face major problems unless there was a reduction in the current budget and trade deficits. This was seen by the market as a sign that the Federal authorities may be keen to pursue tighter monetary policies resulting in higher U.S. interest rates. Such policies could raise political problems in view of the Presidential elections later this year but the dollar was clearly in demand in case there should be a rise in interest rates.

For the time being the market seems content to ignore economic data released over the past few weeks, pointing to a slowdown in the pace of U.S. economic growth. The dollar rose to DM 2.7680 from DM 2.7405 against the D-mark and SwFr 2.2375 from SwFr 2.2100 against the Swiss franc. It was also higher against the yen at Y234.45 from Y233.05 and rose to FFr 8.4875 compared with FFr 8.4075. On Bank of England figures the dollar's trade weighted index rose from 130.0 to 130.7.

STERLING — Trading range against the dollar in 1983-84 is 1.6245 to 1.3955. January average 1.4080. Trade weighted index 81.7 against 81.6 at noon and 81.7 in the morning and compared with 82.1 on Monday and 84.3 six months ago.

The pound was weaker against the dollar in line with other currencies and also lost a little ground against most European currencies. Yesterday's money supply figures attracted a neutral response. Sterling closed at $1.4090-1.4100, a fall of 1.6c. Against the D-mark it eased to DM 3.9050 from DM 3.91 and Y330.75 from Y332.5. It was a little higher in terms of the Swiss France at SwFr 3.1550 from SwFr 3.1525 but fell against the French franc to FFr 11.96 from FFr 11.9850.

D-MARK — Trading range against the dollar in 1983-84 is 2.8425 to 2.3320. January average 2.8109. Trade-weighted index 124.6 against 125.3 six months ago.

The D-mark was firm against most currencies at the Frankfurt fixing, but weakened against the dollar. The U.S. currency began trading at DM 2.7610, and in dull trading drifted around the DM 2.7630 level for most of the morning, before rising to DM 2.77 just before the fixing. The Bundesbank intervened to sell $17.5m pushing the dollar back to DM 2.7682 at the fix, although this was still firmer than Monday's level of DM 2.7500. Demand for the U.S. currency occurred shortly before Mr Paul Volcker began his speech to Congress. Sterling fell to DM 3.9080 from DM 3.9120 at the fixing, and EMS currencies also tended to weaken against the D-mark. The French franc fell to DM 32.570 per 100 francs from DM 32.600, and the Belgian franc to DM 4.8850 per 100 francs from DM 4.89.

ITALIAN LIRA — Trading range against the dollar in 1983-84 is 1,720.75 to 1,343. January average 1,706.89. Trade-weighted index 48.2 against 50.5 six months ago.

The lira lost ground to most of its EMS partners at the Milan fixing, but was slightly firmer against the French franc and Belgian franc. Outside the system lira improved against the Swiss franc, but declined against the dollar and sterling. The dollar rose to L1,700 from L1,689.50, and sterling to L2,403.50 from L2,400.50. The D-mark advanced to L614.26 from L613.88, but the Bank of Italy did not intervene against the German currency, despite selling dollars at the fixing. The Dutch guilder rose to L544.44 from L544.25; the Danish krone to L169.06 from L169.02; and the Irish punt to L1,897.20 from L1,897.10. The French franc eased marginally to L200.15 from L200.16, and the Belgian franc to L30.002 from L30.004.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU February 7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	46.0181	+2.49	+1.88	±1.5447
Danish Krone ...	8.14104	8.16957	+0.35	−0.16	±1.6425
German D-Mark	2.24184	2.24841	+0.29	−0.22	±1.0642
French Franc ...	6.87456	6.90200	+0.40	−0.11	±1.4052
Dutch Guilder ...	2.52595	2.53718	+0.44	−0.07	±1.4964
Irish Punt	0.72569	0.727530	+0.25	−0.26	±1.6699
Italian Lira	1403.49	1381.50	−1.57	−1.57	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York (latest)

	Feb. 7	Prev. close
Spot	$1.4120-4130	$1.4165-4175
1 month	0.05-0.08 dis	0.06-0.07 dis
3 months	0.16-0.22 dis	0.17-0.20 dis
12 months	0.85-0.95 dis	0.78-0.81 dis

£ forward rates are quoted in U.S. cents discount.

THE POUND SPOT AND FORWARD

Feb 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4075-1.4200	1.4090-1.4100	0.04-0.09c dis	−0.55	0.18-0.23dis	−0.58
Canada	1.7565-1.7675	1.7575-1.7585	0.05-0.15c dis	−0.68	0.21-0.31dis	−0.59
Nethlnd.	4.39½-4.43	4.40-4.41	1⅛-⅞c pm	3.06	3¼-3⅛ pm	3.18
Belgium	79.80-80.25	79.90-80.00	8-18c dis	−1.95	45-55 dis	−2.50
Denmark	14.18-14.23	14.19½-14.20½	2-2⅝ore dis	−2.01	6-6⅞ dis	−1.81
Ireland	1.2615-1.2695	1.2625-1.2635	0.25-0.32p dis	−2.71	0.81-0.93dis	−2.75
W. Ger.	3.89½-3.92	3.90-3.91	1⅛-⅞pf pm	3.07	3½-3 pm	3.33
Portugal	192.75-196.50	194.50-195.00	220-420c dis	−19.72	660-1230dis	−19.41
Spain	221.00-222.25	221.15-221.35	170-190c dis	−9.76	555-590dis	−10.35
Italy	2,398-2,405	2,398-2,400	14-18 lire dis	−7.50	46½-48½dis	−7.92
Norway	11.00-11.08	11.01½-11.02½	3⅛-3⅞ore dis	−3.88	10-10⅝ dis	−3.76
France	11.95-12.02	11.95½-11.96½	3⅛-4⅛c dis	−3.76	14-15 dis	−4.85
Sweden	11.46-11.52	11.47⅛-11.48⅛	1⅛-1⅝ore dis	−1.57	3⅞-4½ dis	−1.45
Japan	329½-332	330¼-331¼	0.86-0.73y pm	2.90	2.43-2.29 pm	2.85
Austria	27.42-27.62	27.47-27.52	7⅛-6½gro pm	3.11	22⅛-19⅛ pm	3.05
Switz.	3.14½-3.16½	3.15-3.16	1⅞-1⅝c pm	6.18	4⅞-4⅝ pm	5.70

Belgian rate is for convertible francs. Financial franc 80.30-80.40. Six-month forward dollar 0.38-0.43c dis, 12-month 0.85-0.95c dis.

THE DOLLAR SPOT AND FORWARD

OTHER CURRENCIES

Feb. 7	£	$		£ Note Rates
Argentina Peso...	37.88-37.96	26.84-26.87	Austria	27.40-27.70
Australia Dollar	1.5275-1.5295	1.0840-1.0850	Belgium	81.30-82.10
Brazil Cruzeiro...	1,542.8-1,550.9	1,093-1,098	Denmark	14.15-14.29
Finland Marka...	8.3000-8.3230	5.8825-5.8875	France	11.96-12.08
Greek Drachma	145.00-145.40	102.45-102.75	Germany	3.89-3.93
Hong Kong Dollar	11.00-11.01	7.7960-7.7980	Italy	2375-2410

*Selling rates.

CURRENCY MOVEMENTS

CURRENCY RATES

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

Asian $ (closing rates in Singapore): Short-term 9⅝-9¾ per cent; seven days 9⅝-9¾ per cent; one month 9⅝-9¾ per cent; three months 9¾-9⅞ per cent; six months 9⅞-10 per cent; one year 10⅛-10⅜ per cent. Long-term Eurodollars two years 10⅞-11⅛ per cent; three years 11⅜-11⅝ per cent; four years 11⅝-12 per cent; five years 12-12⅛ per cent nominal closing rates. Short-term rates are call for U.S. dollars and Japanese yen: two days' notice.

FINANCIAL FUTURES

Weaker tone

Eurodollar deposits weakened on the London International Financial Futures Exchange yesterday. This was in line with higher yields in the cash market following publication of the minutes of the December U.S. Federal Open Market Committee meeting. Although there was no change in monetary policy there was some indication that the Federal authorities were prepared to increase interest rates if targets on inflation are not met later this year.

Testimony to Congress by Mr Paul Volcker, chairman of the Federal Reserve Board, underlined the market's fear that interest rates may be forced up at some time. Mr Volcker spoke of his concern about inflation, the size of current wage settlements, and the very large budget and trade deficits, which he warned could make the U.S. a major international debtor.

Market sources suggested that the Fed's apparent determined stance against inflation may have a good impact on the current programme of U.S. Treasury auctions, and that confidence would be influenced by the result of the three-year note auction held yesterday.

Eurodollar's for March delivery opened at 90.15, the lowest level of the day, and touched a peak of 90.20 before closing at 90.17, compared with 90.20 previously.

Gilts also began on a weak note in response to the decline of U.S. bonds overnight, the fall of the pound against the dollar on the foreign exchanges, and he reports of the collapse of the Lebanese Army after fierce fighting with the Moslem militia. UK money supply figures were generally considered encouraging, but after a brief rally there was no follow through and March delivery gilts closed at 107-30, compared with 108-03 on Monday.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	90.17	90.20	90.15	90.20
June	89.78	89.80	89.75	89.81
Sept	89.49	89.50	89.45	89.51
Dec	89.20	89.20	89.17	89.22
March	88.93	—	—	88.95

Volume 3,052 (4,510)
Previous day's open int 11,735 (11,032)

THREE-MONTH STERLING DEPOSIT

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	70-25	70-29	70-22	70-29
June	70-06	70-09	70-02	70-09
Sept	69-18	69-22	69-17	69-23
Dec	69-01	69-06	68-31	69-06
March	68-16	68-20	68-16	68-22
June	68-01	68-01	68-01	68-07
Sept	—	—	—	67-26
Dec	67-06	67-06	67-06	67-14

MONEY MARKETS

UK rates show little change

Interest rates were hardly changed in London yesterday. Some quotations may have moved fractionally firmer on sterling's weakness and fears of higher U.S. interest rates but there were few indications of any real pressure. Three-month inter-bank money was quoted at 9⅜ per cent unchanged from Monday as were three-month eligible bank bills, bid at 8⅞ per cent. Overnight interbank money opened at 9½-9⅝ per cent and touched a low of 8¾ per cent before finishing at 10 per cent.

UK clearing banks' base lending rate 9 per cent (since October 4 and 5)

The Bank of England forecast a shortage of around £100m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £180m and the unwinding of previous sale and repurchase agreements a further £258m. These were partly offset by Exchequer transactions adding £240m and a fall in the note circulation of £48m. In addition banks brought forward balances £33m above target.

The forecast was later revised to a shortage of around £300m and the Bank gave assistance in the morning of £137m. This comprised purchases of £23m of and £56m of eligible bank bills in eligible bank bills in band 2 (15-33 days) at 9 per cent and in band 4 (64-91 days) £2m of local authority bills and £112m of eligible bank bills all at 8⅞ per cent. The shortage was again revised upwards to £350m before taking into account the Bank's morning operations.

Assistance in the afternoon comprised purchases of £1m of local authority bills in band 1 (up to 14 days) at 9⅛ per cent band 2 at 9 per cent. In band 3 (34-63 days) it bought £16m of eligible bank bills at 8⁵⁄₁₆ per cent and in band 4 £27m of eligible bank bills at 8⅞ per cent. The Bank also provided a late round of assistance of approximately £45m.

In Frankfurt call money was quoted at 5.5-5.6 per cent unchanged from Monday in generally quiet and featureless trading. Borrowings through the Lombard facility fell to DM 5.6bn on Monday from DM 6.1bn on Friday with commercial banks well placed in their bid to meet reserve requirements. Yesterday's relative quiet contrasted with Monday's greater activity as banks adjusted for a maturing sale and repurchase agreement on DM 7.9bn of securities countered by an inflow of DM 7.5bn through a new sale and repurchase facility.

MONEY RATES

Feb. 7	Frankfurt
Overnight	5.5-5.6
One month	5.55-5.65
Two months	5.85-6.00
Three months	5.90-6.05
Six months	6.05-6.20
Lombard	5.6
Intervention	—

LONDON MONEY RATES

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING
(11.00 a.m. February 7)
3 months U.S. dollars

bid 9 13/16	offer 9 15/16

6 months U.S. dollars

bid 9 15/16	offer 10 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

London clearing banks' balances

as at January 18 1984

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the London clearing banks and cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the monetary sector.

TABLE 1. AGGREGATE BALANCES

	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK monetary sector	17,335		+154	
UK private sector	54,515		−206	
UK public sector	1,365		+196	
Overseas residents	8,251		−262	
Certificates of deposit	5,507		+463	
		86,973		+344
of which: Sight		28,084		−732
Time (inc. CD's)		58,889		+1,076
Foreign currency deposits:				
UK monetary sector	16,430		−261	
Other UK residents	4,120		−162	
Overseas residents	39,673		+1,155	
Certificates of deposit	6,076		−645	
		66,298		+87
Total deposits		153,272		+431
Other liabilities*		19,046		−260
TOTAL LIABILITIES		172,318		+171
ASSETS				
Sterling				
Cash and balances with Bank of England		1,344		−159
Market loans:				
Discount houses	2,899		−726	
Other UK monetary sector	13,687		−130	
UK monetary sector CD's	2,133		+66	
Local authorities	1,053		+55	
Other	1,060		+13	
		20,832		−722
Bills:				
Treasury bills	154		+10	
Other bills	1,457		−6	
		1,611		+4
Special deposits with Bank of England		—		—
Investments:				
British Government stocks	2,783		−103	
Other	3,501		+37	
		6,285		−66
Advances:				
UK private sector	58,392		+916	
UK public sector	338		−120	
Overseas residents	4,444		+134	
		63,174		+930
Other sterling assets*		9,613		+252
Foreign currencies				
Market loans:				
UK monetary sector	16,594		−298	
Certificates of deposit	570		−96	
Other	27,595		+194	
		44,759		−200
Bills		114		+5
Advances:				
UK private sector	4,740		−144	
UK public sector	725		+16	
Overseas residents	15,273		+155	
		20,738		+27
Other foreign currency assets*		3,849		+99
TOTAL ASSETS		172,318		+171
Acceptances		2,944		+157
Eligible liabilities		65,772		+900

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

	TOTAL Out-standing £m	TOTAL Change on month £m	BARCLAYS Out-standing £m	BARCLAYS Change on month £m	LLOYDS Out-standing £m	LLOYDS Change on month £m	MIDLAND Out-standing £m	MIDLAND Change on month £m	NATIONAL WESTMINSTER Out-standing £m	NATIONAL WESTMINSTER Change on month £m	WILLIAMS & GLYN'S Out-standing £m	WILLIAMS & GLYN'S Change on month £m
LIABILITIES												
Total deposits	153,272	+431	41,962	+385	28,309	−338	29,713	−606	49,120	+1,095	4,167	−103
ASSETS												
Cash and balances with Bank of England	1,344	−159	409	−37	249	−15	261	+17	377	−95	48	−28
Market loans:												
UK monetary sector	33,181	−1,154	9,465	−188	4,324	−555	3,612	−862	15,182	+544	597	−93
Other	32,410	+232	8,657	+366	6,797	−188	7,255	−161	8,645	+203	1,055	+11
Bills	1,725	+9	622	−16	519	+128	316	−60	205	−38	62	−5
British Government stocks	2,783	−103	802	−31	667	+1	684	−25	553	−48	78	—
Advances	83,912	+958	23,427	+71	16,653	+191	16,495	+363	24,860	+316	2,476	+17

TABLE 3. INDIVIDUAL GROUPS OF BANKS' ELIGIBLE LIABILITIES

	TOTAL		BARCLAYS		LLOYDS		MIDLAND		NATIONAL WESTMINSTER		WILLIAMS & GLYN'S	
ELIGIBLE LIABILITIES	65,772	+900	20,104	+153	13,269	+248	11,561	+223	18,864	+269	1,974	+7

INTERNATIONAL CAPITAL MARKETS

1st MARCH 1984 REDEMPTION

G.U.S. INTERNATIONAL N.V.

US.$25,000,000 8½% Loan 1986

REDEMPTION OF BONDS

G.U.S. International N.V. announces that for the redemption period ending on 1st March 1984, it has purchased and cancelled bonds of the above Loan for US.$1,389,000 nominal capital and tendered them to the Trustee.

The nominal amount of bonds to be drawn for redemption at par on 1st March 1984 to satisfy the Company's current redemption obligation is accordingly US.$1,211,000.

DRAWING OF BONDS

Notice is hereby given that a drawing of bonds of the above Loan took place on 12th January 1984 before a Notary Public, when 1211 bonds for a total of US.$1,211,000 nominal capital were drawn for redemption at par on 1st March 1984 from which date all interest thereon will cease. The numbers of the bonds drawn are 3460 to 11895 inclusive apart from the bonds already redeemed or previously drawn for redemption.

The said bonds may be presented for payment of the proceeds of redemption at par on or after 1st March 1984 at the offices of the paying agents in the manner specified in Condition 5 of the Terms and Conditions of the Loan. Bonds should be presented for payment together with all unmatured coupons, otherwise the amount of the missing coupons will be deducted from the principal to be repaid.

Notice is also hereby given that the following numbers of bonds which were drawn for redemption on or after 1st March 1983 have not been presented for payment:

4453	4611	4636	5683	5981	5987	6076	6082	6088	6243	6249	6255
4606	4612	4637	5684	5982	6029	6077	6083	6238	6244	6250	6256
4607	4613	4638	5685	5983	6030	6078	6084	6239	6245	6251	
4608	4633	4639	5686	5984	6031	6079	6085	6240	6246	6252	
4609	4634	4743	5687	5985	6074	6080	6086	6241	6247	6253	
4610	4635	4966	5980	5986	6075	6081	6087	6242	6248	6254	

The Trustee: Rothschild Trust Company Limited

8th February 1984

World Bank raising $250m with first floating rate note

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

BANKERS Trust has pipped major issuing houses at the post to win the mandate for the World Bank's first ever floating rate note.

The World Bank is raising $250m through a 10-year issue carrying an interest margin of 0.35 per cent over the equivalent money market yield on three-month U.S. Treasury bills. Although the notes carry a domestic U.S. reference interest rate they are being launched in the Euromarket.

A floating rate note for the World Bank has been imminent since the bank's board last month approved the issue of up to $400m in floating rate notes. But the launch was expected to come in the U.S. domestic market through a major issuing house such as Salomon Brothers, First Boston or Lehman Brothers, all of which have led World Bank Yankee issues in the past.

Mr Gene Rotberg, the bank's treasurer, explained yesterday that Bankers Trust had proposed an issue which was "both fair to investors and appropriate for the bank." Issuing the notes in the Euromarket brought in a broader investor base and made a longer maturity possible than in the U.S. domestic market. Investors may redeem the notes after five years, but such an option after only three years is common in the U.S. domestic market.

From the outset, the World Bank has indicated its preference for a floating rate note priced over U.S. Treasury bills, which it regards as less volatile than the Eurodollar deposit rate normally used in the floating rate note market. The Treasury bill rate is also usually lower, although recently the two rates have moved closer together.

The notes met a positive initial reception in the market yesterday, trading at a discount of around ¾ per cent, which is well within their total commissions of 0.45 per cent. Other issuing houses were clearly taken aback at seeing such a prized deal snatched from under their noses. Bankers Trust has not been a prominent new issue manager, but is a well-established secondary market dealer and has also developed a close relationship with the World Bank through its debt swap business.

But the market was not short of other new issues. Dresdner Bank is raising $300m through a five-year floating rate note carrying interest at three-month Libor and led by itself. Amro International launched a $150m, seven-year 11¾ per cent issue at par for DSM, the Dutch state chemicals and fertiliser company. Co-lead managers are Morgan Guaranty, Salomon Brothers and Swiss Bank Corporation International.

The World Bank is active in other markets with the imminent launch of a C$100m, five-year domestic bond through Wood Gundy, which is expected to be priced at about 30 basis points over equivalent Canadian Treasury bonds. It is also due to launch a Fl 300m issue through Algemene Bank Nederland.

Major bond markets weakened slightly yesterday, on renewed fears of a conflict between U.S. monetary and fiscal policy. In Germany, Mitsubishi Heavy Industries launched a DM 300m, five-year bond through Deutsche Bank. The issue bears an indicated coupon of 3½ per cent and the bonds will bear warrants to purchase the company's equity. Eurofima is raising DM 100m through a 10-year, 7¾ per cent bond priced at par and led by Deutsche Bank.

BHF Bank bond average

Feb 7		Previous
98.674		98.759
High	1983-84	Low
102.017		97.699

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for February 7.

U.S. DOLLAR STRAIGHTS; OTHER STRAIGHTS; FLOATING RATE NOTES; DEUTSCHE MARK STRAIGHTS; CONVERTIBLE BONDS; SWISS FRANC STRAIGHTS

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Mount Isa Finance 6 93	100†	103¼	103¾	0	+0¼	5.51
Mtg Bk Denmark 6¼ 91	80	102¼	102½	−0⅛	+0⅜	5.85
New Brunswick 5¾ 93	100	102	102¼	−0⅝	−0⅝	5.46
Nippon Tel & Tel 5¾ 93	100	102¾	103	−0⅛	−0⅝	5.36
Nisshin Steel 6¼ 91	100	101¼	101½	−0⅛	−0¼	6.01
Osterr Post 6⅛ 91	100	103	103¼	−0⅛	−0⅞	5.59
Quebec Province 5⅝ 93	100	101	101¼	−0⅛	−0⅛	5.47
Shikoku Elec Power 6 91	100	102¼	102½	−0⅛	−0⅛	5.61
Soc Lux Cont 5¾ 93	100	99⅝	99⅝	−0½	−0½	5.82
Sumitomo Heavy Ind 6 91	100	101½	101¾	+0⅜	+0⅜	5.73
Tokyo Elec Power 5⅛ 91	100	103	103¼	−0⅜	−0⅜	5.36
Triasc Corp 6⅛ 93	100	100¾	101⅛	−0½	−0¾	5.98

Av. price changes: on day −⅛, on week −¾

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅝ 92	15	107	107½	−0⅛	+0⅛	7.45

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. = current coupon. Cu. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cov. date = First date for conversion into shares. Cov. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Notice of Redemption

International Standard Electric Corporation

6% Sinking Fund Debentures Due 1986

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of March 1, 1966, under which the above described Debentures were issued, $480,000 principal amount of the said Debentures of the following distinctive numbers has been drawn by lot for redemption on March 1, 1984 (the "sinking fund redemption date") through the operation of the Mandatory Sinking Fund provisions at 100% of the principal amount thereof (the "redemption price"), together with accrued interest to the redemption date:

$500 COUPON DEBENTURES BEARING THE PREFIX LETTER D

4	96	202	252	285	370	467	487	519	561	621	634	780	1078	1534	2047
8	97	209	254	286	423	473	488	520	563	622	635	967	1323	1559	2048
10	105	232	256	293	424	474	490	521	590	623	644	993	1399	1574	2061
35	106	234	260	294	438	475	491	522	592	625	646	1011	1436	1585	2063
36	107	236	261	295	441	477	492	532	595	626	650	1012	1480	1605	2064
38	108	238	262	299	443	478	496	540	598	627	651	1014	1506	1615	2066
41	115	244	278	302	446	481	497	545	601	629	659	1064	1509	1616	2069
44	133	246	279	304	459	484	502	555	604	631	737	1065	1510	1709	2071
80	158	250	283	311	465	485	514	556	619	632	769	1074	1529	1999	2078
85	200	251	284	351	466	486	515	557	620	633	779	1076	1530	2044	2083

$1,000 COUPON DEBENTURES BEARING THE PREFIX LETTER M

15	653	1221	1998	2877	3048	3814	4614	5038	5772	6786	7505	9821	11007	11908	12267
16	702	1252	2004	2878	3049	3936	4695	5139	5787	6444	7540	9890	11010	11928	12268
62	703	1253	2005	2881	3050	3939	4696	5135	6075	6875	7604	9910	11015	11937	12269
158	704	1316	2007	2883	3051	3936	4697	5138	6187	6890	7616	9914	11022	11938	12324
216	714	1323	2071	2885	3063	3940	4698	5146	6191	6972	7643	9974	11031	11953	12325
217	718	1383	2072	2886	3133	3942	4700	5203	6195	6974	7646	9976	11195	12009	12326
254	719	1473	2075	2888	3184	3943	4703	5365	6196	6975	7647	9989	11196	12024	12334
308	723	1474	2166	2890	3189	3945	4705	5366	6217	6979	7725	9994	11361	12026	12340
309	724	1497	2255	2911	3245	3954	4725	5377	6218	6982	7728	9995	11364	12028	12374
341	818	1504	2308	2914	3258	3955	4737	5378	6259	6983	7779	10003	11421	12069	12375
343	834	1508	2377	2915	3260	4051	4739	5379	6281	7145	7784	10004	11506	12070	12378
344	835	1511	2378	2919	3271	4057	4757	5388	6282	7148	7785	10052	11520	12073	12379
345	836	1512	2426	2957	3284	4058	4782	5390	6283	7149	7854	10053	11727	12074	12386
400	860	1513	2559	2986	3319	4040	4783	5391	6286	7150	7855	10182	11729	12086	12391
402	889	1516	2686	2987	3345	4054	4784	5392	6291	7163	7926	10532	11730	12097	12425
403	961	1563	2752	2988	3346	4131	4816	5393	6292	7162	7927	10533	11764	12127	12429
404	963	1593	2754	2988	3368	4195	4817	5394	6293	7169	8071	10834	11790	12129	12440
405	964	1623	2772	2998	3687	4221	4825	5395	6294	7172	8073	10874	11809	12141	12446
411	965	1640	2779	2999	3704	4222	4955	5399	6295	7183	8202	10886	11820	12142	12547
412	966	1641	2813	3001	3710	4387	4994	5450	6299	7339	8206	10897	11822	12173	12593
413	967	1694	2814	3006	3782	4387	5013	5457	6300	7340	8294	10919	11827	12177	12594
548	995	1868	2819	3011	3784	4402	5014	5519	6302	7384	8295	10923	11828	12181	12616
586	996	1889	2820	3014	3810	4504	5015	5524	6323	7385	9577	10936	11872	12186	12644
597	1157	1978	2833	3016	3812	4569	5035	5729	6413	7390	9691	10970	11873	12212	12645
652	1158	1995	2839	3017	3813	4579	5037	5730	6786	7489	9746	11006	11874	12213	12663

The Debentures specified above will become due and payable and, upon Presentation and Surrender thereof (with all coupons appertaining thereto, maturing after March 1, 1984), will be paid on said redemption date at the **Brokers Services Department on the 2nd Floor of Citibank, N.A., 111 Wall Street, New York, N.Y. 10043,** at the offices of Citibank, N.A. in London (City Office) and Paris, or at the principal offices of Societe Generale de Banque S.A. in Brussels, Dresdner Bank Aktiengesellschaft in Frankfurt and Banque Generale du Luxembourg in Luxembourg, as the Company's Paying Agents. On and after said redemption date, interest on said Debentures will cease to accrue.

Coupons due March 1, 1984 should be detached and presented for payment in the usual manner.

International Standard Electric Corporation
By: CITIBANK, N.A.
as Trustee

January 31, 1984